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Armies of Americas Conference Opens in Bariloche

PY0711023695 Madrid EFE in Spanish
1743 GMT 6 Nov 95

[FBIS Translated Text] Bariloche, 6 Nov (EFE) — Upon opening the 21st Conference of Armies of the Americas (CEA), General Martin Balza, the Argentine Army chief of staff, today said the military echelons "fulfill" their duty "better" when they prevent wars and achieve peace rather than when they wage and win wars.

Delivering a speech before the Army chiefs of staff from 24 nations of the Americas, meeting in the southern Argentine city of San Carlos de Bariloche, Balza noted: "To achieve this, however, we have to work within a framework of firmness, cooperation, confidence, and mutual respect vis-a-vis any challenge to the state-nation and continental security."

The opening ceremony was held at the Llao Llao Hotel in downtown San Carlos de Bariloche, with the presence of Argentine Defense Minister Oscar Camilion.

The Argentine Army chief of staff emphasized: "I am sure that all of us believe that wars represent an unfortunate relinquishment of humanity's modest goals." He urged "the enhancement of integration and cooperation among military institutions of the Americas."

In his speech, Balza emphasized: "The new realities require that the military leadership maintain dynamic relations with the civilian political, social, entrepreneurial and religious leadership."

Balza emphasized: "This is a time of worldwide transformations and changes in every field of human activity. Within this complicated setting, the military factor accompanies the political and strategic reformulations drawn up by the states."

Balza indicated: "Continental armies now have a great responsibility, as our societies require from us efficiency, self-denial, understanding, sacrifice, and support for their efforts to achieve the goals of grandeur, development, well-being, and peace that they deserve."

The CEA was initiated in 1960, with the goal of promoting integration and cooperation on issues of mutual interest, such as defense, security, democracy, and liberty of the member countries. Twenty meetings, involving the chiefs of staff, have been held since 1960.

Argentine military sources have acknowledged that the problems raised by terrorist and drug trafficking actions would also be discussed during the meetings.

Argentina, Bolivia, Brazil, Canada, Colombia, Chile, Ecuador, El Salvador, the United States, Guatemala, Honduras, Paraguay, Peru, the Dominican Republic, Uruguay, and Venezuela are CEA members, whereas Antigua and Barbuda, Barbados, Costa Rica, Haiti, Jamaica, Mexico, Panama, and Trinidad and Tobago sent observers.

Cuba is not a CEA member. This year the CEA will study a petition filed by Nicaragua for admission.

The United States will be represented at this conference by General Dennis Joe Reimer, the Army chief of staff. Division General John Curtis Elerson, the Inter-American Defense Board chairman, will also be present at this conference.

General Augusto Pinochet, the Chilean Army commander and a former Chilean president, unexpectedly arrived in Bariloche on 5 November, as he had been scheduled to arrive on 8 November.

The conference is being held at a time when there are various unresolved border conflicts between Latin American countries, like the one that pitted Ecuador against Peru in a war in January and February. The chiefs of staff of the Ecuadoran and Peruvian armies are now in Bariloche.

The conference, which has been scheduled to end on 10 November, will include plenary sessions and reports, drawn up by each of the countries represented, on their experiences in the field of military policies.

Group Against Pinochet Presence

PY0711141595 Madrid EFE in Spanish
1129 GMT 7 Nov 95

[FBIS Translated Text] Bariloche, Argentina, 7 Nov (EFE) — The Bariloche Permanent Assembly for Human Rights (APDH) has asked the Bariloche City Council to declare Chilean Army Commander Augusto Pinochet "persona non grata." Pinochet is participating in the Conference of American Armies (CEA) in this town.

The APDH request to the Bariloche City Council states: "We consider the presence of the most detestable symbol of the brutal military dictatorships, which have devastated Latin America, an affront to our community."

Municipal sources have reported that although it is very unlikely this declaration of repudiation will be approved, the Bariloche councilmen will discuss it before the end of the American military commanders' conference on Friday.

The CEA was created in 1960 to promote integration and cooperation on matters of mutual interest, such as defense, security, democracy, and freedom of member countries.

Cuba is not part of the conference, which this year will consider a Nicaraguan petition to join the movement.

Cuba

Further Reportage on National Emigration Conference

Castro Hosts Reception for Delegates

PA0811012195 Havana Radio Havana Cuba in Spanish 1300 GMT 7 Nov 95

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Cuban President Fidel Castro hosted a reception on 6 November for the participants in the second the Nation and the Emigration Conference held here in Havana, which was attended by more than 350 delegates from approximately 40 nations.

During the conference, which ended on 6 November, important measures were adopted that will encourage traveling of Cuban emigres to the island, with the only condition that they do not participate in hostile actions against Cuba, or in criminal actions in the countries where they reside.

Ricardo Alarcon, president of the National Assembly of the People's Government said that with this step Cuban emigres will be able to request at the respective consulates a document entitled travel permit [vigencia de viaje], without any political or ideological conditions.

At the closure of the conference, Jose Ramon Balaguer, member of the Politburo of the Communist Party of Cuba, described as irreversible the process of normalization of relations between the Cuban Government and the emigres. Balaguer said that his country continues adopting steps aimed at developing a process of mutual awareness. He warned, however, that the foreign context continues to be hostile as a result of the blockade imposed by the United States, which has ignored the world's call for its lifting.

Eloy Gutierrez a former counterrevolutionary prisoner who resides in Miami said the measures adopted at the conference link Cubans to their nation, and will enable them to travel to the island without having to lie in the U.S. immigrations documents about alleged sick relatives.

Robaina, Alarcon View Conference Outcome

PA0711044795 Havana PRENSA LATINA in Spanish 2249 GMT 6 Oct 95

[By Angel E. Pino]

[FBIS Translated Text] Havana, 6 Nov (PL) — The recognition of the urgent need to struggle together for the survival of Cuba as an independent nation in the face of "the threats from the North," has united here, beyond any difference or recrimination, Cubans from within and outside the island.

This is the predominant opinion obtained by PRENSA LATINA among authorities of the island and nationals residing abroad, at the conclusion this afternoon of the discussions of "The Nation and the Emigration Conference", which met for four days at the Palace of Conventions in this capital.

The meeting, in which more than 350 guests from 35 countries participated, was convened by the Cuban Government as part of a process initiated last year to normalize its relations with approximately 1.5 million emigres, most of whom live in the United States.

"More things unite us than separate us, as was demonstrated throughout the discussions that have taken place in this meeting," Foreign Relations Minister Roberto Robaina affirmed.

Robaina, one of the main sponsors of the event, on Friday made an urgent call to Cubans residing outside of the country to "work together to save the national independence and sovereignty," in light of the new threats coming from Washington.

"Today another urgency gathers us all," the minister stressed, referring to the Helms-Burton bill which, if approved by Congress and the U.S. Government, "would threaten" the very existence of Cuba as an independent and sovereign nation, he said.

Meanwhile, Ricardo Alarcon, president of the Cuban parliament, highlighted that "in light of the serious threats looming over the Cuban nation, it is the time to come together and place ourselves above past political differences and recriminations."

He noted that since the victory of the revolution in 1959, the issue of emigration has been used by successive U.S. administrations with political purposes against Cuba, "forcing us to take measures to protect ourselves," he asserted.

The legislative leader expressed satisfaction over the results of the discussion and the prevailing spirit of respect and solidarity, "although there were differences and opposing views on different aspects of the problems that still bear weight in the relations of the country with its emigres."

In the meantime, Manolo Gomez, an emigre who resides in Washington, stated that — without ignoring the problems that affect the ties of those living outside their fatherland — there was at all times understanding and solidarity toward the country of origin.

"We must understand that Cuba is living today one of the most crucial moments of its history," where not only all that has been accomplished in so many years of struggle is at stake, but also its own future as a nation," he remarked. [no opening quotation marks as received]

Wilfredo Moreno, a resident in Miami, made statements along these same lines. He urged all those Cubans living outside of Cuba, particularly in the United States, to come together to fight from within against the policy of hostility of the Clinton government.

"It is time to give and not take anything from the fatherland," he underscored, referring to those who demand more quicker changes than the reforms taking place in the island.

Eloy Gutierrez Menoyo, a former prisoner for counterrevolutionary activities in Cuba, voiced satisfaction over the development of the conference and "the respect and understanding that prevailed in its deliberations."

Menoyo, who on Friday demanded some reforms to the political institutions of the island, stressed, nevertheless, that at the moment the Cuban nation is facing, "nothing should jeopardize the social accomplishments achieved and the security and stability of the country."

"Saving the fatherland is the most urgent task at hand now," Menoyo expressed, after condemning the policy of hostility of Washington and the new measures under discussion in the U.S. Congress.

The conference concluded its works this afternoon with the announcement of new measures adopted by Havana in its attempt to normalize relations with its nationals living abroad.

The decision, which includes greater travel facilities for the Cubans who reside outside of the island and the possibility for them to study in Cuban universities, was very applauded by the participants.

Emigres' Trips to Island Facilitated

PA0611184195 Havana PRENSA LATINA in Spanish 1717 GMT 6 Nov 95

[FBIS Translated Text] Havana, 6 Nov (PL) — Cuba announced today various measures that will allow its emigres to freely enter their country of origin as many times as required, using a document called travel validity, which is valid for two years and renewable.

Foreign Minister Roberto Robaina reported that those who opt for this method need no permit to enter the island, as it was necessary until now, and the only provision for their entrance will be that they do not participate in hostile actions against the country or in criminal activities at their place of residence.

Robaina said the provisions adopted in a sovereign manner by the island's government state that applications for authorization may be formally submitted at the Cuban Consulates and the traditional entry permit for each trip remains in effect for those who wish to use this method.

We do not demand an ideological and political coincidence to opt for the travel validity, only respect for our sovereignty, the country, and the people who live in the island, the foreign minister stated during the plenary session of the Second "The Nation and the Emigration" Conference.

Moreover, he said that facilities will be increased so emigrants or their relatives may carry out higher education studies and post graduate studies in Cuba, in a compensatory manner.

This type of provisions had been operating in the first phase, since last year, and it is now extended allow more persons to enjoy the benefits.

ANPP President Discusses Migration

PA0711011295 Havana Radio Havana Cuba in Spanish 0000 GMT 5 Nov 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Ricardo Alarcon, president of the Cuban National Assembly of the People's Government, gave a news conference on the topic of migration policy and citizenship. Here is Barbara Betancourt with a report:

[Betancourt] Alarcon gave an improvised news conference during the panel on migration policy and citizenship. First, he stressed the basic significance of the panel.

[Begin Alarcon recording] The key aspect is that these talks about migration matters be conducted — and this is my message — at a serious and profound level, starting from the first points of departure. The Cuban migration issue has been used as an instrument and weapon by the United States against the Cuban revolution. The migration issue constitutes the oldest weapon; a weapon it began to wield since 1 January 1959 [words indistinct]. In other words, some people may voice, and they have, dissatisfaction or follow a procedure — we are certainly willing to listen — but we have asked them to put situations within their real context.

The Republic of Cuba has defended itself, is defending itself, and will continue defending itself [words indistinct] and this is one of the leading [words indistinct] the U.S. authorities have fabricated about the Cuban revolution. Therefore, we cannot refer to Cuba as if it were an idyllic country, as if it were another country. Cuba is the only country subjected to a fierce blockade, and it is the only country against which the world's only superpower is applying a policy that seeks the destruction of its political and social system. Cuba has been the only country that, for more than 35 years, has been the victim of a strategy that has endorsed as its basic tenet the manipulation of something as normal as the phenomenon of migration.

What better reason could there be for this? The text itself of the joint communique signed on 9 September 1994, which says that the United States decided to stop its practice of automatically receiving all the Cubans who wanted to enter that country. If they had implemented that policy in the case of the Dominican Republic, Haiti, Central America, and the Caribbean, no one would speak English, but Spanish, in the United States a long time ago, and the U.S. population and nation would have been different. If that policy would have been universal, then waves of peoples worldwide would have invaded that country. The truth is that this is one of the greatest myths: Cuba has been the only country that has been the target of a policy designed to extract its population and give it a privileged position in the United States.

To this effect, we can say that — comparatively speaking — Cuba has contributed fewer immigrants to the United States than any other nation of the world. No other country can answer this question: What would have happened to a country if during 35 years, it would have been able to send to the United States all the immigrants who wanted to enter that country? Paradoxically, Cuban migrants are victims of an exclusive discriminatory policy. There is no normalization yet regarding migration relations because there are still restrictions for Cuban-Americans to travel to their native country, restrictions for Cubans to visit the United States, and prohibitions on family remittances sent to Cuba.

The U.S. Federal Government does not stipulate any regulation regarding the ties other U.S. nationals or residents maintain with their countries of origin, with the exception of Cubans. All of those people who processed migration complaints should take into account that their leading migration gripe or problem is the discriminatory policy that the United States, which favored them at first, implements against them. [end recording]

[Betancourt] Alarcon remarked that currently, there is a higher level of rapport between Cuban authorities and the emigrants.

[Begin Alarcon recording] I believe there is a higher level of communication. I believe we are listening and we are talking. I believe there is a high rapport. Logically, not everyone thinks the same and not everyone has the same criteria regarding the matters we are examining, but in general, we have had a good discussion. There has not been any prohibition on what people want to talk about. We also have had a chance to express our views. I reiterate that the first change that must take place lies within the minds of some people. No one should act as if they had discovered the wheel. Some people have discussed things from a level totally detached from reality, but they certainly have a right to do so.

I believe everyone must be clear that Cubans decide any change or lack of change regarding any matter in the Republic of Cuba. Cubans are the men and women who live in this country. We are open-minded people, willing to listen to opinions voiced by other people even if they do not agree with our ideas, as long as those opinions are voiced respectfully, but clarifying that only Cubans decide in Cuba. [end recording]

[Betancourt] He denied that the political inclination of some statements hampers the fundamental objective of the conference to increase rapport and establish closer ties between the motherland and its emigrants.

[Begin Alarcon recording] The first thing we said from the beginning of this panel was that it had no limits, and that the limit was whenever the last person to speak was through or whenever the others had grown tired of listening. We said that if had not resolved anything today, we had tomorrow and the day after to do it, without any obstacles. Those who speak must certainly be willing to listen [passage indistinct] however, I do not believe that anyone has discussed topics that were not exactly part of the program to be analyzed. [end recording]

Foreign Ministry Views Ties With Emigres

PA0711011695 Havana Radio Rebelde Network in Spanish 1800 GMT 6 Nov 95

[Report by Zenaida Gonzalez; from the "National Radio News" newscast]

[FBIS Translated Excerpt] As part of the process for the normalization of relations between the nation and its emigres, two new measures have just been announced in the plenary meeting of the second the Nation and the Emigration Conference. Zenaida Gonzalez has the details.

[Gonzalez] The Cuban Government has sovereignly announced two measures that show there is a growing normalization process.

Miguel Alfonso, spokesman for the Cuban Foreign Ministry, has been categorical about this.

[Begin Alfonso recording] It has been decided to expand the measures announced during the first conference on the possibility of Cubans who live abroad engaging in higher education activities in Cuba with payment.

It has also been decided to establish new procedures for Cubans living abroad to travel to Cuba. Now it has been decided to give continuity to these measures, which were announced last year and are aimed at expanding the facilities to travel to Cuba of a large majority of Cubans.

This is a new migratory concept: The travel viability [vigencia de viaje] by which Cubans who live in other countries can travel to Cuba freely and as often as they wish, without requesting entry permits, by means of a document that will be in effect two years and that can be extended as often as wished without limitation. [end recording] [passage omitted]

Emigres Participate in Conference

PA0711020995 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 6 Nov 95

[Report by Carlos Iglesias; from the "NTV" newscast]

[FBIS Translated Text] The number of participants in the second the Nation and the Emigration Conference increased to 355 individuals from 36 countries on its third and next-to-the-last day.

[Reporter Carlos Iglesias] In today's session of the Nation and the Emigration Conference, the panels Associations of Cubans Residing Abroad and the Emigre and His Environment initiated their work. Many participated in the latter panel.

[Begin recording] [Unidentified man] This panel has just begun. There is a lot of information available that might become widespread. Let us hope this helps all of our people to grasp a better understanding of what this whole process really involves. Many individuals believe that emigration is a great panacea, but it is not so, according to the experience of the participants. [end recording]

Participants have made manifest their bonds with their fatherland and the difficulties they encounter.

[Begin recording] [Unidentified man] We have always been examining what we consider are negative aspects of the revolution without considering that the key is for the United States to finally understand that Cuba is a free, sovereign, and independent nation, and has the right to self-determination. We emigres should be united regarding this matter alone to achieve or at least contribute to this goal, notwithstanding what we think of other matters.

[Unidentified woman] I am doing well economically, but not so emotionally, because my son who is my greatest treasure is here in my country.

[Unidentified man] The association will have as one of its objectives collecting money to help Cuba, send medications... [end recording]

During these three days, all of the ideas have been heard with due respect as befits a dialogue that attempts to normalize relations between Cuba and its emigration. Various measures that were taken during last year's conference are having results already.

[Begin recording] [Unidentified woman] I was born here, and I live in Miami. Well, this agreement was made during the first the Nation and the Emigration Conference. I always wanted to come here and, in addition, education is superior here.

[Iglesias] What are you studying?

[Unidentified woman] Medicine. [end recording]

This second conference consolidates bonds that are now irreversible between the fatherland and its emigration.

Deputy Foreign Minister Welcomes EU Delegation

PA0811011995 Havana PRENSA LATINA in Spanish 0321 GMT 7 Nov 95

[FBIS Translated Text] Havana, 6 Nov (PL) — During our brief stay here, we will conduct an open dialogue to outline the future framework of relations between Cuba and the European Union (EU), Yago Pico de Coana, general director for the Ibero-American area of the Spanish Foreign Ministry, stated today.

Briefly after arriving at Havana International Airport at the helm of a EU high-level delegation, Coana told reporters that this will not be a dialogue that starts from zero, since —he clarified— "we cannot forget that the EU member nations constitute Cuba's leading trade partner, investor, and donor."

To this effect, he indicated that 11 of the 15 countries that constitute that regional bloc have accredited ambassadors in Havana.

Meanwhile, welcoming the delegation, Cuban Deputy Foreign Minister Isabel Allende stressed that her government is very pleased with this visit.

"We will begin a fruitful dialogue that will inevitably lead Cuba and the EU to put an end, at a certain point, to the absurd circumstance that Cuba continues to be the only Latin American country that does not have a cooperation agreement with the EU," Allende emphasized.

Certainly, she said, we should wait, because these processes do not take place overnight.

In addition, she recalled that ties between Cuba and the member states of the EU have a strong tradition and significance. We even have blood relations with some EU member nations as is the case of Spain, France, and to a lesser degree, Italy and Germany, she noted.

The head of the EU delegation said from his personal point of view: "As an Asturian, as the son of a Galician, and as a Spaniard," this trip is the first opportunity I have to make an official visit to Cuba to begin a dialogue and share ideas with the Cuban people and government.

It was learned that talks behind closed doors between the Cuban part and the EU mission will begin tomorrow. The eight-member EU delegation includes the regional policy directors of the French and Italian foreign ministries.

Iranian Commerce Minister Arrives on Official Visit

PA0711044895 Havana PRENSA LATINA in Spanish 2122 GMT 6 Nov 95

[FBIS Translated Text] Havana, 6 Nov (PL) — Iranian Commerce Minister Yahya ol-Eshaq today confirmed the will of his government to expand relations with Cuba, during a meeting he held with his Cuban counterpart Ricardo Cabrisas.

Upon welcoming ol-Eshaq, Cabrisas thanked the Iranian minister for the recent vote of his government in favor of Cuba and against the U.S. blockade at the UN General Assembly, while expressing the wish of his government to strengthen relations with the Islamic Republic.

Iran and Cuba are two economies that complement each other, ol- Eshaq said and added that to attain this final objective, both parties should get to know each other very well, to which these mutual contacts will contribute.

The delegation presided over by ol-Eshaq consists of officials from the Ministry of Foreign Affairs, the Central Bank, and the National Petrochemical Company (NPC), among others, and the three-day program includes conversations with Ernesto Melendez, minister of foreign investment and economic cooperation; Nelson Torres, minister of the sugar industry; and Osmany Cienfuegos, minister of tourism.

In the coming days, the Iranian mission will be received by National Bank President Francisco Soberon, Foreign Relations Minister Roberto Robaina, Basic Industry Minister Marcos Portal, and Cuban parliament President Ricardo Alarcon.

Bilateral trade in the last few years has mainly consisted of exchanging Iranian petroleum and Cuban sugar.

Raul Castro Congratulates Artillery Personnel

PA0711043995 Havana Radio Rebelde Network in Spanish 1800 GMT 2 Nov 95

[From the "National Radio News"]

[FBIS Translated Text] Today, Raul Castro Ruz, Revolutionary Armed Forces [FAR] minister, sent a letter congratulating all Cuban artillery personnel on the occasion of the branch's 35th anniversary. Correspondent Margarita Torres has more details.

[Begin Torres recording] In his letter, Raul Castro states that during 35 years — in combat and in their daily tasks — artillery personnel have undoubtedly occupied a vanguard position. The letter adds that this branch has been a breeding ground for cadres who have later gone on to other branches of the FAR. The ceremony marking the 35th anniversary of ground artillery was presided over by Division General Leoplodo Cintra Frias, the Western Army chief, and was hosted by the Western Army's unit 2100.

During the ceremony, active and reserve artillery personnel were promoted and others received the Ignacio Agramonte medal, second class. [end recording]

Foreign Ministry Regrets Rabin's Assassination

PA0611175195 Havana PRENSA LATINA in Spanish 1536 GMT 6 Nov 95

[FBIS Translated Text] Havana, 6 Nov (PL) — The Foreign Ministry regretted today the assassination of Israeli Prime Minister Yitzhaq Rabin by Israeli rightwing radicals, despite "the known political differences and the steadfast support" of the Israeli Government to the blockade on the island.

In an official communique, the Foreign Ministry stated its rejection of any similar action that under the "world's complex and difficult" conditions hinders putting an end to wars of ethnicity, religion, and oppression in any nation.

In addition, the communique states "Cuba's ethical position" clearly by condemning the "serious mistakes, injustices, and even the systematic terrorism perpetrated by the Israeli Governments against the Arab peoples."

Since the beginning of the process to extend autonomy to Palestinians in Gaza Strip, on 14 September 1993, recalls the message from the Foreign Ministry, Cuba "stressed its compliance with the sovereign decisions of states and its respect to this effect."

However, the Cuban Government emphasized the enormous difficulties yet to be overcome to put an end to the wars and establish a lasting peace, "which should be unequivocally just and beneficial for all," the communique adds.

Haiti

Aristide Installs New Prime Minister on 7 Nov

PA0711214695 Port-au-Prince Signal FM Radio in French 2000 GMT 7 Nov 95

[FBIS Translated Text] Haitian President Jean-Bertrand Aristide installed today the new government of Prime Minister Claudette Werleigh during a solemn ceremony at the National Palace of Port-au-Prince.

Claudette Werleigh, 49, is the first female prime minister in Haitian history. Ideologically close to President Aristide, the new head of government is a sociologist of the Haitian progressive trend. In his speech, the Haitian president hailed the work performed by his prime ministers since his accession to power in 1990. Aristide was nevertheless chased away from Port-au-Prince by the military in September 1991 and returned to Haiti in October 1994.

Aristide also hailed the dialogue between the Haitians and the international community.

Prior to that, Werleigh called on the members of the new government to behave properly and surpass themselves. She also exhorted the Haitian people to be understanding and wise, and to remain attached to the ideals of 16 December 1990, date of the election of Jean-Bertrand Aristide as president.

Aristide Speaks at Ceremony

PA0711202195 Madrid EFE in Spanish 1734 GMT 7 Nov 95

[By Harold Jean-Francois]

[FBIS Translated Text] Port-au-Prince, 7 Nov (EFE) — Haitian Prime Minister Claudette Werleigh, 49, was sworn in to her post today at a ceremony in which she promised to continue promoting the democratization process in this Caribbean country, the poorest of America.

At the ceremony, which President Jean-Bertrand Aristide headed, Werleigh, the first Haitian woman to occupy this post, expressed her trust in the international community's support for her country's economic development program.

In her speech, Werleigh, a sociologist with a liberal tendency who is also a former foreign minister, promised to pay attention to the people's demands but cautioned she "cannot make miracles."

At the ceremony, which resigning Prime Minister Smarck Michel and other departing officials attended, Werleigh stressed the need to maintain close cooperation between the executive and legislative branches.

Werleigh said she hopes each member of the government will perform exemplarily so that the executive branch, which wants a continuity of a full democratic system, may maintain its credibility.

Aristide spoke of the work of Toussaint Louverture, leader of Haiti's independence struggle, and reaffirmed his trust in the future of the Haitian people.

Aristide recalled that the Haitian people were able to transform a sad situation into hope despite difficult moments.

Aristide said: "Based on Louverture's principles, Haiti will eventually build a society in which all Haitians will be entitled to life and justice."

Aristide, who wished the new government luck, said: "Each time we find ourselves in an uncertain situation, we must recall the capability for dialogue and the political maturity of the people, who want to be free and to have wellbeing."

In the short term, the most important task of the Werleigh team will be to hold presidential elections, which the Provisional Electoral Council has set for 17 December.

Werleigh Announces Main Government Objectives

PA0711011395 Port-au-Prince Signal FM Radio in French 1130 GMT 6 Nov 95

[From the "Waking Up Newscast"]

[FBIS Translated Excerpt] We will begin the newscast with the general policy statement made on 5 November by the new Haitian prime minister, Claudette Werleigh, who also made the formation of her government known. The latter, whose composition was approved by the Senate, still has to be approved by the Chamber of Deputies before which the prime minister has to present her general policy statement today.

Werleigh announced that the main objective of her government was the holding of the presidential elections and the completion of the deployment of the new civilian police in the country. The new prime minister advocated a policy of austerity and struggle against waste and corruption as well as the continuation of the discussions with the international community about the program of economic reforms. She explained that the

Haitian Government wished to keep control of strategic state-owned enterprises such as Telecommunications of Haiti [Teleco].

Werleigh announced as well the launching of a national literacy campaign and the encouragement of the production of foodstuffs. The 17-minister government includes 11 new personalities generally considered politically close to President Jean-Bertrand Aristide.

On the economic plane, Werleigh and her government have promised to do their best to prevent the progressive fall of the Haitian economy, notably the fall of the gourde. They want to attack the speculation phenomenon which generally accompanies the changes of government in Haiti. The government, that proposes a return to the consumption of local products, wants to proceed to make an inventory of the resources available in the country so as to favor local production. Let us listen to the explanations of Claudette Werleigh.

[Begin Werleigh recording] Well-off with plains, Haiti must take advantage of its climate for an intensive agriculture, wherever irrigation makes it possible, in order to loosen the noose of foreign sources of foodstuffs and the currency burden this implies. While continuing the effort that has to be made at the same time for the export cultivations: coffee, cocoa, tropical fruits, and so on. A food-producing agricultural policy coordinated with the land reform, the reconstitution of our environment, and the construction of a national market.

The success of land reform is linked to the water and irrigation policy in all the regions where rain measurement is not favorable, to the setting up of the peasant groupings enjoying the [word indistinct] elements such as tool, credit, improved seeds, phytosanitary products, and the fertilizers. [passage omitted] [end recording]

Asked about the problem of privatizing state-owned enterprises in Haiti, Werleigh said she wants to reassure the concerned people on the government's willingness to keep its promise. The next government deems it necessary to carry on with the ongoing democratization or privatization policy. Werleigh who says she wants to restore order where disorder was reigning intends to act in the interest of all without letting the rope be put around her neck. She believes it is important that the Haitian authorities act carefully in the implementation of the measures relating to the management of state-owned enterprises while trying to maintain its credibility toward the international sponsors.

Anyway, let me tell you that the new government that Claudette Werleigh will lead comprises 11 ministers including 11 new personalities generally considered politically close to President Jean-Bertrand Aristide. First and foremost, Fritz Longchamp, current ambassador to the United Nations; he will be at the head of foreign affairs; Rene Magloire, justice, replacing Jean-Joseph Exume; Rudolphe Malebranche, director of the Port-au-Prince General Hospital, will be the minister of public health and population; Fred Joseph, vice-governor of the Central Bank, will be the minister of planning and external cooperation; David Nicolas will be the minister of agriculture; Jacques Dorcean public works, transports, and communications; Gerard Blot, public service; and Paul Antoine, minister of information. Three new women will enter the cabinet. First, Myrtho Celestin who will be at the Ministry of National Education; singer Farah Juste, minister of the Haitians living abroad to replace Fritz Casseus, former minister of the 10th Department; and Therese Guillauteau, women's affairs.

The former ministers who have been renewed are: Messrs. Wilthan Lherisson who holds concurrently the interior and national defense from now on; Jean-Marie Cherestal who goes from planning and external cooperation to economy and finances; Roger Perodin, commerce and industry; Yves Andre Wainwright at the Ministry of Environment; Jean-Claude Bajeux at the Ministry of Culture; and Mathilde Flambert, social affairs.

Five out of seven state secretaries have kept their portfolios: Maryse Penette, tourism; Paul Dejean, literacy; Evans Lescouflair, youth and sports; Rockfeller Guerre, mines; and Carole Demervil, justice. The new nominees are Astride R. Gardere at the Ministry of Justice, a ministry that counts two state secretaries; and Paul Yves Joseph, interior and national defense.

The office of the Chamber of Deputies request the presence of the deputies of the 46th legislature this morning at 1100 at the Legislative Palace in order to allow the assembly to give its opinion on the prime minister's general policy statement.

Deputies Approve Policy Statement

PA0711222695 Port-au-Prince Signal FM Radio in French 1130 GMT 7 Nov 95

[From the "Waking Up Newscast"]

[FBIS Translated Excerpt] For its part, the Haitian Chamber of Deputies approved last night the declaration of general policy of new Prime Minister Claudette Werleigh who will officially take office today.

I am recalling that Werleigh's general policy statement is centered on a policy of austerity, struggle against waste and corruption, and the establishment of better conditions of security and freedom for the upcoming presidential elections of which the first ballot will take place on 17 December.

Prior to Werleigh's and her government's official taking office an installation ceremony presided over by President Jean-Bertrand Aristide will be held. [passage omitted]

CEP Publishes Timetable for Presidential Elections

PA0711222795 Port-au-Prince Radio Metropole in French 1145 GMT 7 Nov 95

[Report by Clarens Renois; from "The Morning Newscast"]

[FBIS Translated Excerpt] The Provisional Electoral Council [CEP] published on 6 November an electoral timetable for the presidential elections of next December. The first ballot was scheduled for 17 December. Let us listen to Clarens Renois' report on the electoral timetable.

[Renois] Yes, first, as of tomorrow, they will begin the period of candidacy declaration for the candidates, the period of admissibility of the contesting, also on 15 November. The CEP has planned the closing of the candidacy applications, the publication and the posting of the list of candidates, beginning of the period for the examination of the contesting:

18 November: that is one month before the holding of the first round of the elections at the first ballot, end of the period of the admissibility of the contesting;

19 November: beginning of the period for registration on the electoral lists, end of the period for the examination of the contesting, and publication of the final list of candidates;

20 November: the CEP plans in its timetable to open the electoral campaign for the elections;

11 December: end of the period for registrations on the electoral lists and the electoral campaign will be closed on 15 December at midnight;

17 December: first round of the presidential elections;

27 December: announcement of the results of the first round;

28-30 September: contesting of the results;

31 December: publication of the list of candidates for the second round or announcement of the official results and opening of the electoral campaign.

The second round of the presidential elections is scheduled for 19 January or — instead — the closing of the electoral campaign is scheduled for 19 January 1996;

31 January: announcement of the results of the second round of the elections;

1-3 February: contesting of the results;

4 February: promulgation of the final results of these elections.

This electoral timetable was published yesterday by the CEP. The CEP president met with the press. Now we have Pierre Michel Sajous with some explanations on this electoral process.

[Begin Sajous recording, in Creole] Our role is to hold elections. When we hold elections, we hold them for everybody without distinction, for all political parties, for all independent people who want to participate in the elections in accordance with the provisions of the law. Obviously, we would be very happy if all political parties could participate in the elections. [passage omitted]

Now, as regards the demands by a certain number of political parties of changes to be made within the council, you will very well understand that the council cannot change itself. So, this is a question which is not a concern of the council. As regards financing, the only thing of which I can assure you is that the financing of the elections is ensured. We do not have problems in this regard [words indistinct] in prospect. We foresee [words indistinct] about $8 million. [end recording]

Radio Reports 1 Deputy Killed, Another Injured 7 Nov

PA0711231895 Port-au-Prince Signal FM Radio in French 2000 GMT 7 Nov 95

[FBIS Translated Excerpt] Insecurity in Port-au-Prince: a deputy has been killed. It is Deputy [Jean-Hubert Saigne]. Another one — Deputy Gabriel Fortune who is now looked after at the Canape-Vert Hospital — has been injured. They were attacked in Turgeau while they were going to Petion-Ville. We have now with us Mobile Unit 19 that is going to bring us live from Canape-Vert the latest information concerning this act of violence which was committed on the Turgeau road against two deputies. They are Deputy [Jean-Hubert Saigne] and Deputy Gabriel Fortune.

[Mobile Unit 19, in Creole] Thank you Nirva. We are actually at the Canape-Vert Hospital where the information has just been confirmed. It is [Jean-Hubert Saigne]. He is the Port-Salut deputy. He was shot four times and died. He was with Gabriel Fortune, another deputy who has been wounded, and a school teacher whose name is [Fred Flavi]. We just confirmed this information a while ago at the Canape-Vert Hospital. [passage omitted]

Anti-FRAPH Seeks Arrest of U.S. Embassy Employee

PA0711231995 Port-au-Prince Tropic FM in French 1130 GMT 6 Nov 95

[From the "First News" newscast]

[FBIS Translated Text] The Anti-FRAPH [Anti-Revolutionary Front for the Promotion and Progress of Haiti] organization of Felix Ancito asks for the arrest of Willy Paul, press attache of FRAPH and of an employee of the U.S. Embassy in Haiti in order to have explanations regarding the voluminous 60,000-page document which has been confiscated by U.S. authorities. The Anti-FRAPH organization says it is ready to struggle besides the Haitian parliamentarians for the recovery of this document which is so precious to the Haitian justice department.

[Begin Ancito recording, in Creole] There are two persons in the country, currently in the country, who can give you the contents of this document. They are Willy Paul and that lady, one of the officials at the U.S. Embassy, I mean Julie B. Winn. (?I think) the Haitian Parliament is supposed to be very lucid although it has many other big issues to tackle. We are going to work also with the Senate Office in order to orient them toward the true, the right track so they can recover this document. [end recording]

President Announces Social Security Reforms

PA0511172095 Mexico City NOTIMEX in Spanish 0032 GMT 2 Nov 95

[FBIS Translated Text] Mexico City, 1 Nov (Notimex) — Mexican President Ernesto Zedillo announced that the pension system of the Mexican Social Security Institute (IMSS), which had so far been regulated by the state, would be partially privatized.

The Mexican president said that the decision to reorganize the IMSS had been adopted in order to "prevent the financial collapse that threatens the institution if we do not adopt precise and timely decisions."

"Workers and the business sector are demanding a new pension system, one that has individual funds that will guarantee benefits, offer attractive profits, will be protected from the inflation rate, and it is toward this objective that we must set our course," Zedillo pointed out.

To this end, significant reforms will be introduced to the IMSS pension system "to make it more equitable, solid, and efficient," the president added.

He explained that, in principle, the reforms will entail the creation of individual pension accounts for workers who will be allowed to decide if their accounts will be managed by the state or by private institutions that will be created for this purpose."

While unveiling the labor-employers proposal which has been called Alliance for the Strengthening and Modernization of the Social Security, Zedillo announced that the reforms will be sent to the Mexican congress before the current period of debates comes to an end.

During the unveiling event that took place at the Los Pinos Presidential Palace, the Mexican president explained that the IMSS restructuring will begin with the institution's pension fund.

The IMSS "will be transformed in order to strengthen its capacity to offer more protection, to extend its coverage, as well as to improve the quality of its services and benefits" the president insisted.

The Mexican president acknowledged the need to rectify shortcomings, overcome limitations, and establish solid foundations so that the social security institution can guarantee the enjoyment of all social rights.

Before members of his cabinet, health sector officials, labor and business leaders, the Mexican president embraced the objectives of the proposals as a commitment.

Additional measures the IMSS will promote actively include the creation of more jobs and encourage domestic savings, along with full respect for all labor rights with the objective of strengthening the institution.

The IMSS reforms, Zedillo stressed, will honor the humanist principles of individual welfare, social equality, and community development that have guided the social security's existence for more than half a century.

In announcing the proposal, IMSS Secretary General Juan Moises Calleja Garcia explained that the initiative is made up by three basic objectives and 30 fundamental points.

The first objective proposes the renewal of the IMSS in order to prevent its financial collapse and to guarantee its capacity to offer more protection, to raise the quality of its services, to expand its coverage under the principle of universality, and to improve all benefits it offers.

The second objective establishes that the IMSS must adopt in-depth reforms to its financing programs, based on the need to acknowledge the vulnerability of its situation and that any attempt to raise workers-employers installments at this time would be inconvenient.

Larger fiscal resources are necessary and the finance system must be transformed to guarantee that the benefits it offers have long-term viability and also to resolve inequities and to attend the demands of society.

The third objective is to have the institution offer services that would go beyond the granting of security to employees and already-established companies, to have the IMSS actively promote the creation of jobs and growth.

Health Secretary Juan Ramon de la Fuente believes that the Alliance for the Strengthening and Modernization of Social Security offers important benefits to society.

During an interview at the conclusion of the meeting, the secretary said this program permits adding medical services to services already being offered by the Social Security system and permits also granting medical services to an important sector of the informal economy.

People who do not belong to the formal economy would have access, economically speaking, to social security as well as to health services, which is one of the points of the proposal, de la Fuente noted.

Labor and Social Welfare Secretary Javier Bonilla has said that if this new system is not adopted, the IMSS will soon go through most serious financial problems.

Finance Secretary Interviewed on Economic Recovery

PA0311193595 Mexico City XEW Television Network in Spanish 0515 GMT 2 Nov 95

[Interview with Guillermo Ortiz, Mexican secretary of finance and public credit, by Abraham Zabludovsky at the secretary's office in Mexico City; date not given]

[FBIS Translated Text] [Zabludovsky] Dr. Guillermo Ortiz, secretary of finance and public credit, is here with us. Mr. Secretary, thank you very much for receiving us in your office. We know the general aspects of the Alliance for Economic Recovery, but the objective of this conversation would be to discuss some details in order to better understand this alliance. For instance, companies whose sales do not exceed seven billion new pesos [N$] are exonerated from the payment of tax on assets. Why this N$7 billion range of sales? How many companies are we talking about? What is the sacrifice of the State Treasury by not collecting this tax?

[Ortiz] We are talking about 90 to 92 percent of companies. The fiscal sacrifice is estimated at N$2.5 billion, which we expect to offset with greater collections from economic recovery. This range was established precisely to benefit most companies of the country.

[Zabludovsky] The text of the alliance establishes that companies making new investments in November and December will be given fiscal benefits. How will this operate?

[Ortiz] Well, fiscal benefits will be given for the entirety of 1996, not only November and December. Here the idea is that the investments that are made over the investments made in 1995, will be deductible from the income tax base. I believe this will be an important fiscal incentive to reactivate investments next year.

As you know, this year private investment has dropped nearly 30 percent in real terms. Consequently, we need to promote larger investments to create more jobs. This will allow us to achieve the economic recovery we all want faster.

[Zabludovsky] Deductions for some investments are sometimes given for 20-, 5-, and 3-year periods. The idea now is that if an investment is made on a piece of equipment, beginning now and throughout next year, the entire value of that equipment will be deducted.

[Ortiz] That is correct. All investments exceeding investments made in 1995 will be deducted fully in 1996. This is an important incentive.

[Zabludovsky] An optional income tax payment system is established for persons whose income totals approximately N$46,000 annually, and that only a part of that income will be paid. Why?

[Ortiz] Nowadays what happens is that relatively small companies are required to keep accounting and record books, to make four-month payments, etc. The transactions companies must carry out to pay taxes properly — I am talking about small companies — are in some cases too complicated, because they involve certain records, basic accounting. What we want to do now is to have them pay only a part of gross income. This means that they must no longer maintain two books with receipts and payments, but the only thing they must do is to have their purchase vouchers.

[Zabludovsky] Will this apply to businesses and corporations not making more than 77 minimum annual salaries, approximately N$46,000 annually?

[Ortiz] That is correct. That is pretty much the range.

[Zabludovsky] Do we know what percentage of that income would be the tax?

[Ortiz] Well, we believe it may be approximately 5 percent of gross receipts; perhaps a smaller amount but that is the range.

[Zabludovsky] And by doing this, will these companies be complying their obligations with the State Treasury?

[Ortiz] With that they will be able to cover their fiscal obligations.

[Zabludovsky] One of the general complaints is that the government takes too long in making tax refunds to those who are entitled. Does the text of the alliance establish that the government will allow a maximum term to refund taxes? And if this term is exceeded, will the government pay interests to taxpayers? How will this function and what is the maximum term?

[Ortiz] Currently, the maximum term is 90 days, namely three months. This term is being cut almost in half, to 50 days. Now for the so-called ALTEX companies, namely those considered high-export companies, the term for making the refund will be five days; for companies providing an assessment of their financial records, the term will be reduced to 20 days. But the maximum term the government is allowed to refund taxes will be 50 days. If the government fails to make the refund after this term expires, it will pay interests. Therefore, we are forcing ourselves to be more efficient in making tax refunds. Just like we are asking taxpayers to pay taxes on a timely fashion, the government must also comply.

[Zabludovsky] When will an autonomous organization be created to collect taxes?

[Ortiz] In this session, we are considering to submit a bill to Congress to establish this tax service as part of the legislative package. The idea is to create a professional institution that has a civil service career; a much more technical institution that is institutionally set apart even if it depends organically on the Finance Secretariat. We are aiming at a decentralized organization so that taxpayers can rest assured that there will be absolutely no political influence in the audits —for instance— and that the audits will be conducted professionally. One of the elements or concerns taxpayers have often brought to our attention is that the authorities take a long time, and that there is corruption in the [word indistinct]. Thus, establishing this tax service will enable us to reduce these problems, and eventually eliminate them. We want to set up a first-rate tax collection system so that taxpayers can feel assured that the law is working for them and not against them.

[Zabludovsky] If Congress approves this bill, will the service be available next year?

[Ortiz] It will not come into force until 1997, because we need a transition period of approximately one year to set up the internal regulations, foundations, and so on. We also need to test those who want to join this organization. Our goal is to select the right people so that we can offer a quality service.

[Zabludovsky] As for tax collection, the Finance Secretariat will not be judge and jury anymore.

[Ortiz] Of course.

[Zabludovsky] Gasoline prices will be increased 7 percent in December. Adding this major price increase to other prices, what will be the inflation rate for the entire year of 1995?

[Ortiz] In 1995, the inflation rate will probably reach 50 percent, because....

[Zabludovsky, interrupting] Above or below 50 percent?

[Ortiz] I believe it will be around 50. I hope it will be below 50. The inflation rate will be in that range. Considering the inflation rate for December, which will be somewhat higher because in December, we will be charging an increase to the minimum wage and the prices and rates; therefore, we will have a platform for 1996 with a lower inflation. This is why we believe the estimate of 20 percent for 1996 is quite realistic. As you must recall, we predicted an inflation level of 42 percent for 1995, and actually, it is going to be slightly higher. The inflation rate for this year will not be 42 percent, but approximately 50 percent. I believe the estimate of approximately 20 percent for 1996 is a good one.

[Zabludovsky] The text of the Alliance for Economic Recovery does not put much emphasis on the commitment made by the industrialists and the businessmen not to transfer the increase in overhead to final prices. How will an inflationary spiral be averted and how will discipline be established regarding prices?

[Ortiz] Discipline regarding prices is mainly established via macroeconomic policies, and via fiscal and monetary discipline. The business sector has made commitments within the limits of its possibilities and in keeping with the situation of each company trying to absorb the greater outlays resulting from increases in public prices, for instance. In 1996, there will be less pressure than in 1995. I believe that most prices are free on demand, and the reason why the inflationary pressure has been contained is not because there is a price control, but because there is discipline in public finances and because the Bank of Mexico has followed a monetary program that is consistent with our inflation projections.

[Zabludovsky] Perhaps, another reason is that there is not much demand.

[Ortiz] Precisely. Obviously, the market is also very slack. We hope that if there is a recovery in 1996, one that we hope will materialize in a significant manner —even in the last quarter of 1995— we will see much lower inflation estimates than those for this year.

[Zabludovsky] There is no doubt about this?

[Ortiz] No doubt whatsoever.

[Zabludovsky] There are plans to cut public spending by 4.75 percent, in real terms. Which areas will be affected?

[Ortiz] Most of the cuts will be made in current spending.

[Zabludovsky] What does current spending include?

[Ortiz] Current spending is spending other than investment costs. For instance, materials and supplies; wages and salaries; payment of fees; in short, that sort of expenditures. In 1995, there was a significant drop in current spending, in real terms, and this drop will continue in 1996 in order to have positive investment expenditures. In 1995, public investment dropped 15 percent, in real terms. We hope public investment will experience a positive growth in 1996, and for this purpose, we must continue rationing current spending.

[Zabludovsky] Will there be any personnel reduction in the government?

[Ortiz] Should this happen, the rights of workers will be amply respected as has been the norm thus far. Retraining programs will be put into practice to enable workers to find employment in other sectors.

[Zabludovsky] Mr. Secretary, regarding social security, there is word that there will be individual accounts with contributions made to the retirement and dismissal insurance funds. But it appears, however, that the Mexican Social Security Institute [IMSS] has already spent the monies that workers and employers have contributed over many years. How will these individual accounts be capitalized?

[Ortiz] The idea is that one part of what is currently disability, dismissal, and death insurance will be transferred to individual workers' accounts. These individual accounts, together with the SAR [Retirement Savings System] and contributions made to Infonavit [Institute of the National Fund for Workers Housing] in cases where this money is not used for the purchase of a home, will start to form a capital endowment that will be available to workers upon retirement. The scheme has not been properly defined yet; I understand that the tripartite commission will today present to the president some of the conclusions that have been arrived at over the past few weeks between representatives of the workers' sector, entrepreneurial sector, and the government, on social security reforms. We will learn about these topics in much more detail in the next few days, in the next few weeks. Now we are awaiting the results of this commission.

[Zabludovsky] One important thing: Part of the social security contributions is the branch that covers disability, retirement, and dismissal insurance. That part earmarked to that branch of insurance will not be wiped out. In other words, there are acquired rights over many years.

[Ortiz] Of course, of course. In any event, workers' rights and the expectations of workers' rights of those who are currently contributing will be fully respected. What is going to happen is that as there is no social security reserves to cover contingencies on future pensions for the workers who retire, the government will have to face this sort of expenditure through the budget, while the workers' accounts become capitalized. That is why we must carefully define what those accounts are, what the contingencies are, and what the future expenses the government must incur to pay pensions are. But workers' rights will be fully respected.

[Zabludovsky] Will the government have funds for all this such as the tortilla subsidy program, which is very expensive; the bank rescue program, which has different aspects but is also very costly; the fiscal sacrifice for enterprises mentioned in the alliance? Will there be money for all this?

[Ortiz] We are presenting a balanced budget for 1996 and the budget includes expenses for contingency coverage. We need to remember something important: Not all expenses, such as the subsidies to debtor-support programs, will be incurred in 1996. These subsidies will be long-term, such as 10, 15, or 20 years, similarly the support to banks. Therefore, what we need to do is to fund these schemes that have been included in the 1996 budget. Also included are costs derived from the fiscal sacrifices we are making. That is why we need to continue contracting the current expenditure in order to make the allowance to enable the correct financing of these expenditures. In addition, next year, with the economic recovery and reactivation, obviously tax levels will be recovered also. The budget we will send to the Chamber of Deputies in the next few days includes all these contingencies.

[Zabludovsky] Mr. Secretary, in the alliance, the government makes a fiscal sacrifice and the workers are not recovering the purchasing power of their salary, something that entails a sacrifice. What are the businessmen sacrificing?

[Ortiz] Businessmen have committed theselves to move their investment plans forward. They, at least in the case of 250 firms, are going to announce what their commitments will be in 1996, not only in the investment area but in their efforts to link up the medium and small businesses, which are the suppliers of the big firms, so they can participate along with them in training programs, in programs to substitute imports, in short, in the reactivation of the medium and small business sector. Within their possibilities, companies also promised to absorb the increase in costs, as we discussed a moment ago. I think this program we have agreed on is a program for growth, recovery, and encouragement. We have experienced a very difficult year, a quite complicated year, one of the most difficult in the country's recent history, but I think we are now able to see a process of economic recovery ahead of us.

[Zabludovsky] Is it opportune to revive the system of swaps [previous word in English], work on the debt, and attract foreign investment?

[Ortiz] Well, swaps entail subsidies, and we do not believe they are the best mechanism to encourage investments. That is why we are granting tax incentives.

[Zabludovsky] Mexico has obligations for 1996 with regard to its approximately $10 billion foreign debt. Will those obligations be met? Will part of the debt be refinanced?

[Ortiz] Well, $8.5 billion will fall due next year. More than $40 billion fell due this year. This must be borne in mind. Now then, of the $8.5 billion, approximately

$6 billion correspond to international financial organizations such as the World Bank, the Inter-American Develpment Bank, and the export-import banks, which practically have automatic refinancing. Approximately $2.7 billion fall due in the market. Simply for comparison's sake, this year the debt falling due in the market, in other words, the government's short term debt, amounted to approximately $35 billion. We had approximately $30 billion in Tesobonos [Treasury Bonds] and about $5 billion in short-term public sector debt. Therefore, next year, there will be no problem in meeting the obligations with regard to the $2.5 billion or $2.9 billion which correspond above all to obligations due to development banks, which also have practically automatic refinancing lines of credit. Next year we have a very comfortable debt profile. It cannot be compared to what occurred in 1995. That is why I think the conditions for 1996 are much better.

[Zabludovsky] It has been said that the economy will improve by 3 percent. Does this percent include the estimated foreign investment or will it result from the national effort alone?

[Ortiz] This is a very conservative estimate. Exports are growing at a very high rate in dollars this year, 33 or 34 percent, but they will continue to grow at a somewhat lower rate next year. Supposing the growth rate will be lower next year by, say, 19 or 20 percent in dollars, which corresponds to a 12-percent rate according to the Comptroller General's Office, and also supposing that imports experience a considerable increase, the foreign sector will yield approximately a 1.5 point growth rate. Consumption, which dropped by 27 percent this year, has recovered a little, by, say, 1 percent. Investment is expected to grow by 5 percent in true terms, private investment has dropped by more than 20 percent this year, and public investment has dropped by 15 percent.

[Zabludovsky] That is a modest recovery, and it has already been estimated at 3 percent.

[Ortiz] That is why I say this is a very conservative estimate. I think we can experience a higher growth rate in the second semester of the next year.

[Zabludovsky] That is what I was about to ask you. The price of gasoline and other sources of energy will be raised in December. The costs of the program will be the first to experience this effect. When will benefits be received and when will our wallets become a little fatter?

[Ortiz] We should be experiencing a recovery in the job sector. In fact, the most recent indicators — and this has gone a little unnoticed — the employment rate has stopped dropping for two or three months and started to go up. The number of permanent Social Security members has risen to 28,000 persons. Naturally, this figure is small as compared with the number of dismissed persons early in the year. The important thing is that the (?flexibility) point has started to take place already.

I think we should have a better year in 1996. People should gradually begin to experience this improvement in their wallets. In addition, this will not occur immediately. We cannot think that recovery will take place overnight. Although this feeling of frustration in the people is completely justified, it will have to change gradually. The important thing is that we have established a course and the leadership and that we will experience economic recovery and steady growth in the near future. The country must react. We have a very firm basis. Of course, this has been a terrible year for families, enterprises, debtors. But this cannot be corrected overnight. It takes some time.

[Zabludovsky] Excuse my question, Mr. Secretary. Why should we believe you people? Growth and inflation goals have been announced for other pacts, but they have largely gone unfulfilled. Why believe in this one?

[Ortiz] If we consider the pacts of previous years in general, the goals have not been too far away from completion. Certainly, the 1994 concerted effort failed because our world collapsed in December. Yet I think that realistic predictions are being made in matters of inflation and growth. If we consider the estimates of private analysts, they are not far from those being made by the government. The important thing now that we have a framework and an incentives system is that we should try to change our mood and try to push forward.

[Zabludovsky] Thanks, Mr. Secretary.

Bank Governor on Increase in Monetary Basis

PA0711011495 Mexico City EL FINANCIERO in Spanish 31 Oct 95 p 4

[Report by Alicia Salgado]

[FBIS Translated Text] Miguel Mancera Aguayo, governor of the Bank of Mexico, has reported that to satisfy a steady demand for bills and currency, the institution will increase its monetary basis by 20 billion new pesos as of November, and during December.

Mancera guaranteed that the recovery expected to result from the Alliance for Economic Recovery [Alianza para la Recuperacion Economica — APRE] will have adequate "monetary support" without this meaning that "monetary policies will be slackened." Mancera said it is expected that 1995 inflation, measured from December to December, will be 50 percent and the GNP reduction will be between 5.5 and 6 percent.

Mancera said the so-called "volatile capital" has decreased significantly this year because of the cashing of Treasury Bonds for $27 billion and because right now government bonds in the hands of "nonresidents" amount to $5 billion, "a relatively small amount."

Finance and Public Credit Secretary Guillermo Ortiz Martinez has affirmed that the cost of fiscal incentives that will be granted to the federation as a result of APRE, will be approximately 0.5 percent of the 1996 GNP, and this amount "will be included in the Revenue Law and the Expenditure Budget" to be presented to Congress on 15 November.

Ortiz Martinez reported that the IMF and the World Bank have already been informed of APRE's contents. He said that the budget to be proposed will be in line with the objective of a 1996 3-percent GNP growth and a 20 percent inflation rate; this is to be backed by a reduction of more than 4.75, in real terms, in current public sector expenditures.

Ortiz also acknowledged "the country still has big problems such as debtors and the need to strengthen the financial system, situations that are grave and make necessary, in spite of the significant progress secured through the Agreement for Immediate Support to Debtors, a continuous monitoring of the quality of bank services."

Ortiz explained the economic footing on which APRE was created during a news conference offered by cabinet secretaries who form part of the economic cabinet.

In cautioning that the budget on which economic goals and objectives are being set are "very conservative and could be larger," Ortiz Martinez said there are three key factors to secure a 3 percent GNP growth: exports, investment, and consumption.

Ortiz said that in 1995, the export sector registered a 27.7 percent growth and that in 1996 it is expected that the growth percentage will be 12. Imports, which this year are expected to have a 27.1 percent decrease, will increase by 11.6 percent next year. Based on these premises, the export sector's contribution (exports minus imports) will be 1.4 percent.

Regarding investment he cautioned that, at the end of 1995, private investment will fall 29.8 percent. It is expected that there will be a 4.7 percent recovery in 1996. Public investment, he said, will drop 14.7 percent in 1995 and will be practically "zero" next year despite the fact that the energy sector is expected to have a slight growth — in Mexican Petroleum, for the exploration sector; and in the Federal Electricity Commission, for distribution; as well as investment on the maintenance of federal highways, rural roads, and other areas considered fundamental for the recovery of employment.

Ortiz commented that the total contribution of investment to the GNP will move from a minus 3.8 percent in 1995 to a positive 0.6 percent in 1996.

Regarding consumption, Ortiz said private sector consumption will go from a 13.7 percent reduction in 1995 to a 1.6 real increase in 1996, while public sector consumption will go from an 8.7 percent decrease this year, to a state "of equilibrium," so consumption will contribute 1 percent to the GNP increase expected for next near following a 10.5 decline in 1995.

In indicating that the Mexican Government "in 1996 will not face serious problems involving overdue public debts, which will go from $41.4 billion, this year, to $8.9 billion next year, of which $2.7 billion correspond to market deadlines," Ortiz said that the APRE program involves the following fiscal incentives:

Exempting taxpayers with annual cumulative incomes of up to 7 million new pesos from paying taxes on their assets; a 100 percent tax-on-revenues deduction on new investment by enterprises; fiscal credits of up to 20 percent of a minimum salary for each additional employee hired by the enterprises; a deduction of up to 71 percent on new automobile investments; the condoning of the Tax on New Automobiles to reactivate the automobile industry; to increase from four million to seven million new pesos the tax deductible amounts by enterprises investing in the three big urban areas; the establishing of quota payments of taxes-on-revenues of micro and small enterprises; the granting of an expanded period for making payment on fiscal losses; the commitment to return tax revenues in 50 days; expanding the partial tax payment period from 36 to 48 months and the commitment to resolve in six work days requests having to do with fines, claims, or RFC [expansion unknown]; in addition to the creation of a tax-collection service and the strengthening of the Fiscal Tribunal of the Federation.

Labor Secretary Javier Bonilla said that, during the past decade, for each percent growth of the GNP, 250,000 jobs were recovered, but so far "there is no estimate on how many jobs will be recovered" this time. The finance secretary said that next year's budget considers a continuation of subsidies on the tortilla, milk, and school breakfast programs, increasing social expenditures on very poor zones, and other programs.

He announced also that, together with miscellaneous fiscal documents, his office will send a bill to reform the Mexican Social Security Institute to modify the Savings for Retirement System to turn it into a source for safe long-term investments and will also send a proposal to completely reform the customs system.

IMF Grants $1.7 Billion Credit To Strengthen Reserves

PA0711011195 Mexico City EL FINANCIERO in Spanish 2 Nov 95 p 4

[Report by Alicia Salgado and Gerardo Flores]

[FBIS Translated Text] The Secretariat of Finance and Public Credit (SHCP) has reported that the IMF has placed $1.7 billion for the Mexican Government to use in November.

These funds can only be used to strengthen the Bank of Mexico's [Banxico] international reserves which, after a $700 million payout on Friday for a bond issue placed on the German market, will stand at $14.267 billion, not including arrangements to amortize Tesobonos [Treasury Bonds] or dollar-loans used by the federal government to service its foreign debt.

According to the SHCP, the $1.7 billion that the IMF has made available starting 1 November will only be used in the event that "it is deemed necessary to prop up the financial markets."

The SHCP also announced the refinancing of the $1.3 billion loan from the U.S. Federal Reserve and the Exchange Stabilization Fund, which were due on 30 October.

After repaying only $700 million of the $2 billion originally scheduled to be amortized last Monday, the Mexican Government and its U.S. counterpart agreed, for the third consecutive time, to refinance the short-term swap over an additional 90-day period payable on 30 January at a quarterly interest rate of 5.45 percent.

It should be noted that this loan, extended on 2 February to the Mexican Government, was refinanced on 3 May, 1 August, and 30 October under the same terms and conditions, including the acquisition of pesos deposited by the federal government in Banxico's account at the Federal Reserve in exchange for dollars received at the maturity of the certificates.

In addition, the Mexican Government pledges to back the dollars received with pesos at the end of the quarter. In other words, it assumes the devaluation risk.

The two confirmed financial options "guarantee the country's financial well-being and confirm the trust in the Mexican economic program" by the U.S. Government and the multilateral entity, SHCP officials noted.

The SHCP, on the other hand, conceded that the volatility and nervousness being experienced by the financial markets are not in tune with the strength of the progress achieved by the adjustment program or the real conditions of the economy. It also reiterated that the peso is undervalued against the dollar and ruled out a crisis of trust or certainty.

Alejandro Valenzuela, spokesman for the Alliance for Economic Recovery (APRE), stressed that the situation of the Mexican economy is totally different from the one experienced at the beginning of the year, evidenced by a reduction of more than $30 billion in the short-term foreign debt and $700 million in additional international reserves revenue, next Friday, from the October 5 issue.

The APRE spokesman underscored that, with yesterday's amortization of $178 million, $27.463 billion in Tesobonos will be paid off and $1.742 billion will be pending maturity. With the aforementioned amortization, 94.04 percent of the total outstanding public bond issue before December 1994 will be paid off.

Valenzuela stated that the objectives of the Economic Emergency Program have been met and have surpassed expectations in some areas. He added that the fluctuations in the exchange rate have been influenced by the above mentioned nervousness given the scarce volume of transactions and the volatility inherent in a flexible exchange rate such as Mexico's.

The spokesman stated that it is difficult to predict the evolution of the exchange rate given a floating system but explained that the peso is undervalued and common sense indicates that our currency should increase its value.

Valenzuela, who is also the SHCP's director for international affairs said that if the Action Plan to Strengthen the Agreement of Unity to Overcome the Economic Emergency (PARAUSEE) is seen "from the proper dimension," we can affirm that its main objective was achieved: Giving the economy the capacity to grow.

He added that if we make an assessment of the now-extinct PARAUSEE, we can see there were areas where things went bad and others where they went better than expected. He recalled that, for example, a 2 percent drop in the economic growth has been predicted; in other words, it has been estimated at 6 percent by the end of the year. The inflation rate, which was expected to reach 42 percent by the end of 1995, will be 50 percent, while the contraction during the second quarter of the year was 10.5 percent.

He clarified, however, that in some areas of foreign trade, the results have been surprising. "The country's exports, he noted, have increased 33 percent this year and are expected to total $80 billion by the end of 1995. This has contributed to reduce the deficit in the current account of the balance of payments, which in 1994 was $27 million, while this year it will be near zero.

He stressed that despite the high unemployment rate registered this year and the closure of many enterprises, Mexico has returned to the path of growth and investments, which go unnoticed, such as Volkswagen's for approximately $500 million.

He said that all the positive factors generated this year, along with the measures adopted through the APRE will create more confidence and certainty. This will make it possible for the country's economy to totally recover in 1996, he concluded.

IDB Maintains Confidence in Country, To Continue Credits

PA0811030795 Mexico City EL FINANCIERO in Spanish 31 Oct 95 p 9

[Report by Claudia Villegas]

[FBIS Translated Text] The Inter-American Development Bank (IDB) will continue to offer credits to Mexico, and during the next two years, it will maintain its annual loan program for an amount of $3 billion, reports Jairo Sanchez, IDB representative to Mexico.

During the first seminar on Mexico's foreign debt, organized by the College of Mexico, Sanchez added that the IDB maintains its confidence in Mexico's ability to fulfill its financial commitments, because the foreign debt of the country will become more manageable as the country increases its exports.

However, after the Mexican crisis that surfaced last December, Jairo Sanchez indicated that the IDB observed the need to restructure its strategies, which were based on the assumption: "The debt crisis in Latin America is a thing of the past."

Until 1994, 40 percent of IDB credits went to the loan portfolio of quick disbursements and to sectors, such as the financing of infrastructure projects, support of the economic opening, and the privatization of sectors.

Today, the IDB will strengthen its credit programs for the social sectors. These sectors include education, health, and other priority sectors, while 15 percent of the Bank's credit portfolios for Mexico will be destined for other sector projects.

Sanchez reported that the debt the Mexican Government has with the IDB has reached $12 billion and that payments of $7 billion have been made so far.

The IDB believes that during the next three years, the Bank will recover the $4 billion that is outstanding, "because we are not scared by the large proportions of Mexico's debt servicing."

However, the crisis has direct effects on Mexico, because the payment of premiums and interest to its creditors is the highest in Latin America.

The IDB representative also noted that Mexico has the highest level of recovery in the region. He added that the increase in the Mexican debt is only a temporary and manageable situation.

"Mexico's infrastructure, services, and human capital, in conjunction with the development of the trade zone with the United States and Canada, have placed the country in a position to recover," Sanchez remarked.

In this regard, Jorge Matter, representative of the Economic Commission for Latin America (ECLA), indicated that Mexico will not fail to observe its credit obligations as long as it has the capacity to obtain foreign exchange.

He underscored that, according to ECLA estimates, during 1995, Latin America will receive flows of capital for $30 million, a significant portion of which will be direct foreign investments.

He noted, however, that the investments of portfolios have shown an important reduction and that as of the first semester, Mexico had only obtained $2.8 billion through the sale of debt instruments.

Commerce Secretariat Announces Measures To Reduce Imports

PA0811033295 Mexico City LA JORNADA in Spanish 1 Nov 95 p 49

[Report by Patricia Munoz Rios]

[FBIS Translated Text] After noting that predicting a 3-percent growth for next year "is a conservative estimate," Herminio Blanco Mendoza, secretary of commerce and industrial development, has said that in the next two months actions will be taken to reduce imports in the assembly plant and auto industries.

He explained that as part of the Import Substitution Program, actions will be implemented to induce the purchase of Mexican inputs and products by assembly plant companies.

This will be carried out through "liaison" operations between national industrialists and the importing companies, which will report the products they acquire abroad so that they can be manufactured in the country.

A similar process will be carried out in the auto and spare parts industry. Under this same principle, contacts will be established between industry representatives and medium- and small-sized businessmen so that the latter can manufacture products that are currently purchased abroad, both regarding inputs and spare parts for vehicles.

The official stated that an active program of "contacts" with assembly plant companies and others corporations importing large amount of products yearly was established for small- and medium-sized businessmen. This program will be implemented through the offices of Secofi [Secretariat of Commerce and Industrial Development], Bancomext [National Foreign Trade Bank of Mexico], and the National Finance Bank.

Blanco Mendoza explained that a survey was conducted among assembly plant industries regarding the inputs that may be manufactured in Mexico. Each of these companies was asked to provide a list of 10 inputs that may be manufactured in the country.

In addition, an exhibit of the inputs that the aforementioned assembly plants import was organized. Additionally, the companies that have the capacity to produce these inputs were selected in every state of the Republic in order to begin negotiations to substitute imports.

To support these negotiations, the cases will be followed up and the small—sized national firms will be offered financing and other forms of support, he indicated.

Meanwhile, the secretary advanced that in 15 days the Deregulation Advisory Council will be established to review and eliminate all unnecessary paperwork of business activities. In this regard, Blanco Mendoza commented that this Council will consist of members from all production sectors, and it will be tasked with reviewing "each step and requisite."

The Council will also determine what steps are unnecessary, which can be simplified. After this process, a Single Transaction Registry will be created and it will include only those steps that the Council deems necessary, while the others will be simply erased.

"We believe that this approach, which has been successfully applied in France, Canada, and England, will produce good results in Mexico to accelerate the elimination of operating obstacles and the establishment of companies," he stressed.

Blanco Mendoza indicated that Business Competitiveness Centers will also be established. These centers will concentrate a series of business advisors as well as different forms of support currently spread around diverse institutions.

When asked about the effects of the Alliance for Economic Recovery (APRE), the secretary said that it is still unknown how many new jobs will be created thanks to this program. Nevertheless, it has been estimated that the elimination of the Tax on Assets will benefit approximately 80 percent of commercial and industrial firms in the country.

Thanks to the fiscal incentives that will be given to companies through APRE, important investments are expected to be made next year, especially from small- and medium-sized companies, the official said.

Mexican Exports in Different Areas Grow

In the meantime, Secofi yesterday made public a report on the 20 main sectors where Mexican exports grew in the first eight months of the year. This report states that the largest increases took place in the sectors of: Transportation vehicles, engines, tourism vehicles, televisions, radio and telephone equipment, coffee, computers, electronic spare parts, and tomatoes, regarding trade with the United States.

Government Planning To Create Peso Stabilizaton Fund

PA0811032295 Mexico City NOTIMEX in Spanish 1602 GMT 7 Nov 95

[FBIS Translated Text] Mexico City, 7 Nov (NOTIMEX) — The government of President Ernesto Zedillo is preparing, with the support of Mexican bankers and businessmen, the creation of a Peso Stabilization Fund [Fondo para la Estabilizacion del Peso] with initial resources totaling $5 billion.

The main objective of the new financial instrument, to be announced this week, will be to protect the national currency from speculative attacks, like the one registered last Friday, said sources at the (central) Bank of Mexico [Banxico].

According to Mexico City dailies, a decision must be made on what the final contribution will be by each of the participants of the fund, which would function through two trusts.

The first trust would allow collection of earnings in dollars from Mexican export companies to create a fund to be used by Banxico to buttress the dollar whenever the situation at the exchange market warrants.

The purpose of the second trust would be to ensure the medium-term supply of dollars through the establishment of a system similar to the peso's futures market by using the planned dollar earnings of Mexican exports.

Recently, officials of the Finance and Public Credit Secretariat and Banxico met with the members of the

Mexican Association of Bankers and major exporting companies to analyze the project.

Some companies that would participate in the Peso Stabilization Fund are Cemex, Vitro, Alfa, Femsa, Grupo Desc., Carso, Grupo Kalach, Penoles, Grupo Minero de Mexico, Kimberly Clark, and AHMSA, all considered the country's leading export companies.

According to the proposal, Banxico "will have absolute discretion to determine the advisability of the dollar sale operations."

Financial experts cited by the local press said that this is not the first time a mechanism of this nature has been implemented in Mexico. In 1976, 1983, 1986, 1987, and 1988, instruments with similar purposes were created, but had different names.

Agriculture Secretary Interviewed on Economic Alliance

PA0711020895 Mexico City XEW Television Network in Spanish 0400 GMT 1 Nov 95

[Interview with Agriculture Secretary Francisco Labastida by Amador Narcia; place not given — live]

[FBIS Translated Text] [Narcia] What does the new alliance for the countryside entail and how is it different from other programs?

[Labastida] One of the characteristics of this alliance is that it was created by all producers or all-producer organizations. It is made up of eight state secretariats and has a comprehensive and participative approach. It calls for new instruments with very clear goals. The clear goals are to increase the rate of agricultural production growth more than the rate of population growth and to increase the profitability of the agricultural sector. It has many new instruments that I hope will effectively find specific solutions to the problems and needs we have mentioned.

[Narcia] What kinds of support will be given to ensure achievement of these goals, Mr. Secretary?

[Labastida] In addition to the existing ones, such as Procampo [Program of Direct Support to the Countryside] and other aid programs, the eight secretariats agreed, with the authorization of the president of the Republic, to offer new forms of support.

For example, to increase productivity transfer of technology will be strongly promoted, the (Impap) will be decentralized and its facilities transferred to producers, capitalization facilities will be offered, instruments will be created along with the producers and the state governments to effectively support the transfer of technology. This yields more results in Mexico and elsewhere in the world when the goal is to increase productivity.

We will also offer direct subsidies to producers to ensure that those who purchase tractors, irrigation equipment, and agricultural tools are supported by public resources to carry out these tasks. For example, one goal is to furnish one million hectares with irrigation equipment during this six-year period. We will start with little more than 100,000 hectares next year. The federal government will pay for 35 percent of the value of the equipment purchased. In the purchase of tractors, the federal government will also subsidize about 20 percent of equipment value. This will also apply to pneumatic hoes [coas neumaticas] to support seasonal agriculture, and many other agricultural tools that are useful in agriculture and cattle-breeding.

[Narcia] When will this start? How can farmers have access to this new support?

[Labastida] That is a good question, Amador. Starting next year this will be included in the 1996 expenditures budget. We will ask the honorable Congress of the union to evaluate this, and if this is approved in the expenditures budget we will start to implement this program next year.

[Narcia] Will the economic problems facing many of our farmers not stand as an impediment to obtain this support?

[Labastida] To a certain degree, for example, those who have overdue portfolio problems, which is to what I think you are referring, will indeed not have access to credits as long as their problem persists. There is, however, a new instrument: The use of Procampo resources as a guarantee. The Finance Secretariat agreed on an instrument to support this process: Procampo income, which will remain fixed for 15 years by presidential order, may be used as a collateral for credits and even to adjust income to present value without cash to support the direct investments that the agricultural sector and the peasants want to make.

[Narcia] One of the announcements made during the meeting with the president at Los Pinos, was the federalization or increased decentralization of the Agriculture Secretariat's duties. What control mechanisms will there be to prevent improper acts or acts of corruption to hurt men of the countryside that should be receiving this support?

[Labastida] Federalization of the secretariat's work calls for the transfer to state governments of about 85 percent of its 126 duties. We will present to the honorable Congress of the union a legal modification to ensure that resources are transferred to state governments by law. This is in addition to the common [comunes] taxes or federal taxes that are transferred to state governments.

This will provide income security to state governments, workers will be assured that their rights will remain unaffected, and will allow — and this is the end objective — that solutions to demands be attended to in the place where these demands originate. Decisionmaking will be much speedier and closer and this will provide an overall, more efficient attention to the agricultural sector.

[Narcia] Mr. Secretary, I would like to ask you very respectfully what guarantees do we have that this program, this new plan, will be in effect complied with, when compared to others that have fallen short or that have been left unfinished?

[Labastida] That is a good question, Amador. I believe this program has different characteristics; one is that the plan involves all the secretariats, another is that it involves leaders of producer organizations; and additionally, the program will be supervised. The president announced today that he was going to meet periodically with producer organizations, perhaps every two or three months, in order to follow up and evaluate that the decisions announced today are working. I believe that if this starts to work in January, we could then meet with producers on the second month, on a date specified by the president, to evaluate how the programs are working.

This program has another interesting feature: Each objective has its own instrument. Let us say, for example, that we want to bolster dairy production; there are several instruments to do this. In addition, we have an enormous market with 45 percent of the milk we consume domestically being imported milk, either powdered or liquid. Let us say, for example, that we want to produce for the for oilseed [oleaginoso] market. This is a $800 million market, of which 70 percent — 600,000 tons — is domestic consumption served by imports. We have a specific program to raise oilseed production. Let us say we want to attend to the great meat market, which right now is being served mainly by imports, or that we want to go to the Asian or North American markets to penetrate with more exports. We have specific programs for this. Of the measures announced today, 19 specific measures were from the Agricultural Secretariat alone. From the other secretariats there were five, 10, and 12 measures. The total number adds up to more than 50 specific measures, definite programs, to back some of the goals that we are setting.

[Narcia] Mr. Secretary, do you want to add anything?

[Labastida] It is my pleasure to greet you, Amador, and I appreciate the opportunity you have given me to speak to you and with the great and extraordinary number of Televisa viewers.

[Narcia] Many thanks.

Deputies Approve Changes to Financial Laws

PA0311171195 Mexico City LA JORNADA in Spanish 31 Oct 95 p 6

[Report by Ismael Romero and Elena Gallegos]

[FBIS Translated Text] With the abstention of the PAN [National Action Party] and the PRD [Party of the Democratic Revolution], the PRI [Institutional Revolutionary Party] majority in the Chamber of Deputies has approved reforms to various provisions of laws that regulate financial activity to provide greater protection to bank customers and protect the financial system from criminal actions such as money laundering. Discretionary powers were granted to the Finance Secretariat to issue guidelines and measures and to propose the means to prevent and detect operations that constitute "probable crimes."

PAN and PRD deputies asked that this last point be rejected because they argued it deals with a crime that does not exist in Mexican legislation. "We do not even know whether the Penal Code is going to be modified or whether there is going to be a law that clearly and substantially establishes that money laundering is a crime. That is why we are against," PAN Deputy Alejandro Gonzalez Alcocer said.

Leonel Godoy of the PRD asked that Article 115 of the Law on Credit Institutions be rewritten because the way that the paragraph was modified left it as follows: "The Finance and Public Credit Secretariat, hearing the opinion of the National Banking and Securities Commission [CNBV], will issue provisions of a general nature to prevent and detect in credit institutions and financial corporations, actions or operations with resources, rights, or assets that proceed from or represent the product of a crime."

That wording, he indicated, generates impunity, because before a proper authority views the action, it must first be proven that the resources are the product of a crime. Godoy proposed that the wording be "probable crime," which would mean a legal procedural situation different from one falling under the wording "product of a crime."

On behalf of the commission issuing its opinion, PRI Deputy Dionisio Perez Jacome proposed that the PRD deputy's proposal be accepted. Despite this, the PRD abstained from the vote for the overall financial package.

Alfonso Reyes Medrano of the PRI said in support of the opinion in favor of the draft presidential decree that the objective of the reforms is based on the dynamics of the economy which, on the one hand demands the development of a modernization process, and on the other the defense of the interests of the customers of the financial system and the protection of the system from criminal actions. He said the reviewing commission decided to establish recommendations that, without being included in the body of the law, must be observed.

The first refers to the obligation that the Finance Secretariat will now have to incorporate into the quarterly reports it sends to the Congress a section on the evolution and development of the financial system, so that the legislative branch can be well informed about the country's financial vicissitudes and their negative effects on the economy.

The second recommendation indicates that the Finance Secretariat must be careful with the authorizations it grants for the acquisition of national insurance companies and subsidiary credit organizations, bearing in mind real capital needs, the professional capability of the institutions, and the buyers' technological contribution to achieve stability.

A third recommendation indicates that the Technical Committee that is established to determine the system of investment for the resources of the Treasury of the Federation must guarantee, at all times, the trustworthy handling of those resources, avoiding the granting of privileges to any middleman. For this purpose, it is recommended that its actions be carefully observed to prevent the diversion of public funds that belong to society.

A fourth recommendation proposes that the CNBV rigorously use the power granted by Article 94 of the Law on Credit Institutions to suspend the advertisement of those credit institutions which in some way creates confusion or might lead to errors by customers.

Deputies of the various factions stated their positions on the decree draft that reforms, adds, and abolishes several provisions of the Credit Institutions Law, Stock Market Law, General Credit Organizations and Related Activities Law, General Mutual Insurance Institutions and Associations Law, Federal Finance Institutions Law, Bank of Mexico Law, and Federal Treasury Service Law.

Oscar Yanez of the Labor Party pointed out deficiencies in the broadening of CNBV's power saying there are no plans to revise practices that have not been formalized in any contract and are illegal and unconstitutional. He mentioned the capitalization of interest as an illustration and suggested dealing immediately with the judicial aspects of money laundering.

Saul Escobar of the Party of the Democratic Revolution [PRD] said his party recognized progress and positive aspects in part of the Executive's initiative. He pointed out, however, that the banks' bankruptcy will not be solved with the small remedies offered in the proposed reforms however positive these changes might be. He said the initiative does not at all consider the problem posed by the discretional application of interest rates and that, therefore, no progress is being made in correcting the high degree of financial brokerage.

Escobar said that both the financial reforms approved in January and the existing ones establish terms for a larger concentration of finance capital and that this is justified by the need to provide capital for the financial system and increase reserves.

This capitalization has not taken place, although the opposite has been reported officially. He said that, so far, the financial problems have proved to be bigger than the solutions presented. Some of these solutions are positive but definitely fall short of the mark. In-depth solutions are required. It is necessary to face the problems in their true dimension and stop patching up and prescribing aspirins, he said.

Speaking for the National Action Party [PAN], Gabriel Llamas Mojardin said also that the Mexican people no longer desire any "patchwork" on the economic system because this results in hopelessness and hunger. "We do not agree on continuing to approve isolated proposals that will not lead to solving the country's crisis. PAN's parliamentary faction will abstain when the executive-proposed financial package is put up for voting. The economy requires bigger adjustments."

Dulce Maria Riancho, speaking in the name of the Institutional Revolutionary Party, summed up the measures that her party's deputies approved with the proposed reforms: "Capitalization of institutions; progress in preventing and checking new forms of crime with specific requirements aimed at fighting money laundering; updating the operation of the Federation's treasury and strengthening its functions of watching over funds and federal securities through procedures to relate with banking institutions; maintaining the Bank of Mexico's trustee status in relation to agricultural, housing, and commerce promotional funds; and a different concept of the CNBV in relation to the protection of bank users.

Ceferino Tirreblanca of the citizens' parliamentarian group said his group would vote yes to the initiative because they regarded the proposal as positive in general but insufficient and untimely, considering the seriousness of the economic situation.

Independent deputy Luis Sanchez Aguilar said the proposal under debate failed to effectively protect the users of bank and credit institutions; failed to encourage fulfillment of the CNBV requirements in matters of reports, agreements, or resolutions; failed to penalize money launderers as warranted; and stubbornly preserved the finance secretary's discretionary authority to authorize foreign investment in credit institutions as he sees fit and to the extent he wishes.

In general, the reforms were approved by 262 to three, with 126 abstentions (PAN and PRD). In particular, the vote was 296 to 93 and three abstentions.

Army Takes Up Positions in Chiapas Jungles

PA0311211895 Mexico City LA JORNADA in Spanish 2 Nov 95 p 5

[Report by Hermann Bellinghausen]

[FBIS Translated Text] Lacandona Jungle, Chis., 1 November — The helicopters have raised the temperature, like huge mosquitoes scratching the air with a roar that startles people, makes them nervous. The helicopters, which come in different colors and sizes, have left October and started November in the midst of many activities being carried out in the conflict area several times a day.

They fly not just to San Quintin. They descended in La Soledad on 31 October and unloaded something. That day, the tracking helicopters, wielding antennas to detect radio communications, meticulously overflew La Realidad and neighboring areas.

The aircrafts have reemerged. Land military activities have also increased. The patrolling operations that had become sporadic and discreet have returned pointing more openly toward the Indian communities in the area of conflict.

Ejido Veracruz, 31 October — Patrolled by three light vehicles carrying armed troops, a large construction machine approached the soccer field. By nature, Ejido Veracruz residents like soccer a great deal, as long as the field does not get swamped. The power shovel lifts tons of dirt, places it somewhere else, and rolls over it, always guarded by soldiers.

It is uncommon to see the Army in the communities, and it is even more uncommon to see it doing a work. Is it rolling over the soccer field for the benefit of the community, or is it doing so to build a modest heliport? It certainly seems to need it, judging by all the aircrafts they are flying.

The exceptionally clear day elapses without any other spectacle. The mountains by the gorge can be seen in third and fourth dimensions. Forests covered by sunlight can also be seen. The rivers already have ended their season of water, and they continue to be turbulent. However, they no longer can carry away a cow; their banks have ebbed.

During the announced "red alert" of the EZLN [Zapatist National Liberation Army], there was uncertainty not only in the financial markets; it could also be detected in the movements of the Mexican Army. There were more patrolling operations. Now, following the red alert, it seems it is approaching the communities more. At least in La Soledad, people have seen soldiers frequently taking to the hills.

Like the work of a constant ant, the Army has been taking up positions in the jungle and Los Altos. It is tightening the siege around the communities and the Zapatist forces, of course. Every day, the stage for a "quick action" is getting ready, although there is a law stipulating that something like this cannot take place just like that.

When does the war logic take over the logic of law and political commitments? Let us hope we will not have the need to know the answer.

Meanwhile, the Chiapas cities, as many other cities in the country, celebrate Halloween in the evening. Modern times.

Army Commander Denies Militarization of Chiapas State

PA0511041995 Mexico City LA JORNADA in Spanish 3 Nov p 9

[Report by Jesus Aranda]

[FBIS Translated Text] General Mario Renan Castillo, commander of the 7th Military Zone, has denied that the State of Chiapas is being placed under military control or that overflights or the number of troops in the conflict-ridden area have increased. "The situation is normal, and the supply of provisions to troops and the civilian population, as well as the routine rotation of personnel, is continuing," he explained.

In a telephone interview, Gen. Renan Castillo added that for troops stationed in Chiapas, the Zapatist National Liberation Army (EZLN) announcement about the so-called red alert did not imply any mobilization of soldiers.

After saying that the suspension of next Sunday's elections in Ocosingo was exclusively because of electoral reasons, the military officer insisted that the situation in the largest municipality in the country is absolutely normal.

Meanwhile, Gen. Castillo stated that there are no elements linking EZLN members with drug trafficking, because the planting and "bombardment" of drugs occurs in the areas of Palenque and Marques de Comillas, which are "on the other side" of the area of conflict.

When asked about the recent statements by Subcommander Marcos that the federal government was trying to wipe out Zapatists, the commander of the 7th Military Zone — comprising Chiapas and part of Tabasco — just said that Marcos' remarks are groundless and that the military, together with the federal government, expect a peaceful and prompt solution to the Chiapas conflict.

Regarding the reports on overflights in the area of conflict and soldiers' activities in that area, Castillo remarked that these are movements to supply troops and civilians. He added that military work groups are taking part in the upgrade of dirt roads, which were seriously affected by the recent rains.

He was asked whether it was true that, according to some reports, the EZLN may be involved in drug trafficking activites.

Renan replied that he has no reason to claim that the Zapatists are linked to drug trafficking or that the growing or passage of drugs through the so-called conflict zone has increased.

There are actually very few drug plantations detected in that area, he added.

We know that the "bombardment" of drugs coming from South America has occurred in Marques de Comillas or Palenque, in the heart of the jungle, but not in the conflict area, the commander clarified.

I asked him: What will you do if drug plantations are detected in the conflict area?

We, he noted, would destroy them as we would anywhere in the state. We would, however, do this very carefully to avoid misunderstandings and will announce over the radio where the troops are headed and for what purpose.

He added that due to a lack of ground communications, the Army has had to use helicopters to send aid to the populations of Las Tacitas and Santa Elena.

Renan noted that the 7th Military Zone placed helicopters and ground transportation vehicles at the disposal of the Social Development Secretariat, and these are being used to transport aid to those communities for the construction of infrastructure.

He stated that Army units will also participate in the widening of the Maravilla-Tenejapa and the Avellanal-Tacitas roads, among others.

In this regard, Renan added that the Army will support Public Education Secretariat actions to replace school furniture in certain communities of the Chiapas highlands.

We are continuing our regular social work, our efforts to supply the troops, and our regular troop rotation, he added.

Senate Approves New Extradition Treaty With Spain

PA0611184595 Mexico City NOTIMEX in Spanish 0204 GMT 1 Nov 95

[FBIS Translated Text] Mexico City, 31 Oct (NOTIMEX) — The Mexican Senate today approved, with changes in the wording, the modifications made in the Treaty for Extradition and Mutual Assistance between Mexico and Spain, which has been in effect between the two nations since 1978.

At a plenary session, legislators from the three factions represented in the Senate approved the changes, one of which calls for more fluid procedures for the delivery of citizens claimed by both countries. [sentence as received]

With the new treaty the sides are forced to provide mutual assistance in investigations involving any penal procedure that has been initiated and which falls within the scope of the party making the request.

According to the document, extradition will not be granted for political or related crimes. However, terrorism, attacks on a head of state or government, or on a member of his family, are not considered political crimes.

The agreement does not view as political crimes actions involving attacks on airplanes, the security of airports, or policies established in treaties of which both nations are participants.

With regard to tax-related crimes, the document explains that in accordance with the treaty, extradition will be granted based on the summoned side's laws for similar crimes.

The treaty and its changes will be subject to confirmation by the Spanish authorities and the respective confirmation documents will be exchanged in the city of Madrid, Spain.

Salvador Sanchez Vazquez, president of the Foreign Relations Commission, section three, said that the treaty implies a new close bilateral relationship to expedite fulfillment of justice in both nations.

It is a matter, he said, of updating the treaty to include contemporary crimes that are a part of current society's reality. This includes terrorism, organized crime, and kidnappings.

Sanchez Vazquez explained that the treaty reforms protect the traditional right to asylum in Mexico.

Government Issues Bulletin on Gorriaran's Expulsion

PA0411181095 Mexico City XEW Television Network in Spanish 0400 GMT 31 Oct 95

[From the "24 Hours" newscast]

[FBIS Translated Text] We have Cesar (?Becquer), under secretary of the Government Secretariat's population and immigration services, on the line.

[Begin telephone relay] [Narcia] Good evening, Mr. Becquer.

[Becquer] Good evening, Mr. Narcia. I would like to read a press bulletin that the Government Secretariat has just released regarding the expulsion from Mexico of Argentine citizen Enrique Gorriaran Merlo.

Gorriaran entered Mexican territory through Mexico City's International Airport on 10 October with Uruguayan passport number B-161613, which identified him as Uruguayan citizen Juan Alberto Rodriguez Marengo. Immigration authorities had been informed of Gorriaran's probable arrival in Mexico probably using a false passport with the name we have already mentioned. Based on the investigation conducted by the immigration authorities, he was located and arrested in Morelos state on 28 October. Following the usual administrative procedures, his true identity was established from his own confession. After his right to be heard was guaranteed and after it was confirmed that Articles 123, 124, and 125 of the General Population Law had been violated, the immigration authorities decided to expel him.

Regarding reports about the activities of Argentine agents in Mexico, the Government Secretariat hereby declares this flatly.

1. The location, detention, and expulsion of this foreigner was exclusively conducted by Mexican authorities.

2. Mexico has not changed its position of not permitting foreign agents or police to operate in Mexican territory.

3. Our country has not changed its traditional policy of granting asylum. Gorriaran, however, never qualified for the political refugee status as confirmed by the fact that he entered Mexican territory as a tourist with a false passport and under a false name and nationality. Consequently, he was expelled solely for violating the General Population Law. [end relay]

Walkout Protests Perceived Power Imbalance

96CA0032A Mexico City REFORMA in Spanish 31 Oct 95

[Article by Miguel Angel Juarez: "PAN and PRD Walk Out"; received via Internet]

[FBIS Translated Text] National Action Party (PAN) and Party of the Democratic Revolution (PRD) lawmakers walked out of yesterday's session of the Chamber of Deputies to protest the Economic Recovery Agreement, which they feel was hammered out in violation of Congress' exclusive constitutional authority to set fiscal and revenue policy.

This is the second time that the opposition has left PRI [Institutional Revolutionary Party] on its own, inasmuch as they also walked out during the certification of the 21 August 1994 presidential election.

PRD member Jesus Ortega was the first to approach the rostrum, and from there he symbolically "closed" Congress.

Ortega questioned the leadership of PRI member Humberto Roque Villanueva, whom he called secretary of the press office of the Presidency of the Republic.

"It is distressing and outrageous that after so much talk about the need for balance between the branches of government, the president of the republic would vulgarly insult and belittle the people's national representatives," he remarked.

Meanwhile, a group of PRD deputies placed a huge banner under the rostrum, reading: "Closed after being stripped of its powers."

While PRI deputies tried to persuade the opposition that the dignity of Congress had not been impaired, among the benches Ricardo Garcia Cervantes, the PAN coordinator, and Jesus Ortega, from the PRD, decided to walk out.

Later, the coordinator of the PAN deputies approached the rostrum to say that PAN was withdrawing to reconsider what mission the majority group wants to leave the others in Congress. At that point the two blocs walked out of the hall.

Cocopa Cites Anti-Peace 'Dark Forces'

96CA0033A Mexico City PROCESO in Spanish 30 Oct 95

[Article by Gerardo Albarran de Alba: "Cocopa Members Call on Zedillo To Show Greater Resolve in Controlling Groups With Authoritarian Leanings"; received via Internet]

[FBIS Translated Text] The release of Fernando Yanez Munoz represents a defeat for the "dark forces" that are operating "out of the government" and that "trumped up" the operation and the evidence against the alleged guerrilla, whom the government identified as Commander German of the Zapatist Army of National Liberation (EZLN), deputies on the Commission for Harmony and Pacification (Cocopa) have indicated.

The upshot is greater EZLN mistrust of President Zedillo's administration, which for the second time has been "forced to backtrack." However, Cocopa's moral authority vis-a-vis the EZLN has also grown since it saw to it that the Law for Dialogue, Conciliation, and a Worthy Peace in Chiapas prevailed.

"Cocopa has acted prudently and responsibly. Rising above our anger and indignation, we emphasized efficiency to have Fernando Yanez released and to enforce fully the Law for Dialogue, Conciliation, and a Worthy Peace in Chiapas. The objective was to restore confidence and to get the representatives of both the federal government and the EZLN to sit down together soon and continue the dialogue, in keeping with the principles of the accords in San Miguel," said Deputy Cesar Chavez of the Party of the Democratic Revolution (PRD).

"The onslaught by the groups that have authoritarian leanings is very heavy," says Deputy Jaime Martinez Veloz of the Institutional Revolutionary Party [as published], who feels that "the larger conflicts that the state is confronting are not the ones that society has posed but rather the ones involving the groups that have held power or still do."

As far as Juan Guerra, who is also from the PRD, is concerned, "in the government there are still forces that are prepared to destabilize this country, that have been capable of endangering peace."

Guerra, who was once a member of the 23 September Communist League, goes even further: "There are madmen in information and investigation centers who voice their fears and have a paranoid mind-set, which could lead them to cause bloodshed in the country."

For the time being, Cocopa will insist on a meeting with President Zedillo, because "we cannot remain vulnerable to such provocations, and we have to demand guarantees of him. Today it was this, but tomorrow it could be something more serious. This is why we need greater resolve from the chief executive."

Acknowledging Receipt

The Cocopa lawmakers are not underestimating the effects of Fernando Yanez' arrest and booking, under circumstances that the authorities were unable to explain satisfactorily to anyone.

"At this juncture we can conclude that the evidence was planted, that the operation was trumped up for the purpose of adversely affecting the process of negotiation and dialogue in Chiapas," contended Guerra, who was interviewed after a Cocopa meeting on the night of Thursday, 26 October at which they learned of the imminent release of Yanez, who had been charged with carrying weapons for the exclusive use of the Army and Armed Forces and with crimes against public health.

"This business of drugs and weapons is ridiculous. No one goes around armed in the streets, much less displaying them. This shows a lack of respect for people's intelligence, including our own, because they told us this story," said Guerra, who as a guerrilla in the 1970's disguised himself by "dressing as a bourgeois."

He said that the maneuver took advantage of the public debate last week between Deputy Commander [subcomandante] Marcos and the leaders of the main political parties. "They thought that this climate was favorable to them and that the country would approve of what they did," he surmised, adding, however: "Even if they had been right, they do not realize that if they resolve the problems that gave rise to the conflict, Marcos will have no choice but to sign a peace accord. This is a stronger argument, making consideration of whether Marcos does or does not want to negotiate a secondary matter."

In any event, he said, "It seems to me that the consideration of Marcos' intentions is also an attempt to justify the reluctance in the government to move ahead with changes, as they are frightened by the success that the negotiations have been having in Chiapas and are reacting by not wanting to address substantive issues, as was being done for the first time, not just procedural matters."

He considered it "regrettable that the government has now been forced on two occasions to backtrack and is not ridding itself of these dark forces. There are only two explanations, and both are worrisome: Either a lack of will or a lack of strength. The operation was conducted while the president was in New York, and it is very possible that he was not even aware of it, that it was undertaken without his having been consulted.

"Does Yanez' release vindicate the Law for Dialogue, Conciliation, and a Worthy Peace in Chiapas?"

"We must recognize, regardless of the context in which the government, the Attorney General's Office, and the Interior Secretariat would like to place it, that this is a political victory for those of us who reacted to this incident and argued that Cocopa could not continue to operate unless the law was observed unconditionally. This is a victory for society, which was able to respond in spite of the confrontations between the parties and the EZLN.

"It is a victory that the government is trying to snatch away from us any way it can. This is what the dismissal of the charges means: What they are seeking is to protect those who were involved in the operation, which I still do not think came either from the Attorney General's Office or the Office of the Attorney for the Federal District, although the latter has taken responsibility. This in some way has to do with the intelligence operations that this country has."

"Cocopa would seem to have regained its credibility. But is it enough to overcome the EZLN's mistrust?"

"In the wake of this the EZLN is going to be more mistrustful of the government, but not of the commission. We will have to see what counts more. Marcos has already told us that he is not going to make any direct agreements with the government, because he feels that they have not kept their word to him or given him a sign that they are willing to do so. But he is prepared to sign onto accords made through us. This is why I hope that our approach contributes to a resumption of the talks.

"Our position was clear. Heberto Castillo (the PRD senator who threatened to resign from Cocopa) made it public, as a personal decision, but all of us on the commission felt that there was no way to keep going unless the law were enforced, and it was going to be violated by the executive branch.

"We had to gamble and impose a course, in spite of these opposing interests. And in this connection we were prepared to go all the way, no matter what we ran into. Because we have to realize that the blow was not just directed against the EZLN. In this country the same forces that oppose the transition are the ones that dream of a legislature that is completely subordinate to the executive branch, with an authoritarian presidentialism.

"I am not underestimating this. It was also a provocation against Cocopa. I am saying that we do have moral authority, but the dialogue is still going to entail risks. Let's not think that the transition will take place in limbo; that is a pipe dream. I hope that the EZLN's perception is the same and that it realizes that this was a provocation but also that this is precisely why we must not stop."

Reform of the State: the Ultimate Solution

With the release of Fernando Yanez, the law is fully in effect. The 14 arrest warrants for supposed Zapatist guerrillas remain suspended, and this should allow the delegations of the EZLN and the government to sit down once again at the bargaining table.

The pending issue is the EZLN delegation's loss of confidence and its security. Cocopa's new task will be to develop ways of rebuilding that confidence, Deputies Cesar Chavez and Jaime Martinez Veloz agree; they were interviewed on the morning of Friday the 27th at a restaurant in southern Mexico City, where they had learned, by cellular phone, of Yanez' release.

"His release creates the conditions for us to rebuild confidence, albeit in different scenarios. It is not going to be easy, but I think that our position gives us the moral authority to talk face-to-face with the EZLN and establish mechanisms for resuming the dialogue," the PRI's [Institutional Revolutionary Party] Martinez Veloz said.

He said this about the operation mounted against German:

"This was not an accident. It was for a purpose similar to the one that prompted the actions on 8 February: To shatter the dialogue and the EZLN's confidence in the spokesmen close to the president. The last time, the EZLN lost confidence in the interior secretary, Esteban Moctezuma; today, they tried to jeopardize the role of Cocopa. The difference is that Cocopa's maneuvering room is much greater than Moctezuma's was, owing to our status as legislators."

Chavez said, for his part, that "building up the EZLN's confidence in the government means that the latter has to give signs, such as prompt action by the executive branch itself to resolve the problems that caused the conflict. If the executive and legislative branches are capable, during this very session or in a special one, of resolving the issue of Indian rights and culture and of elevating them to constitutional status, through a bill that satisfies Mexico's indigenous peoples, that would be a good sign."

"If we regard the hypothesis of provocation as valid, then it could backfire on the people who planned this...."

"That is right. Provocations and political crimes are always designed to contain the dialogue or create chaos, or both. If the federal government has the will to lend substance to what the president expressed in the invitation to Cocopa and draft a joint bill that addresses these problems and ensures that the rights and culture of the Indians are elevated to constitutional status, the sign would be unequivocal.

"Moreover, though, the federal government could conduct a case-by-case review of the legal situation of the individuals arrested in connection with the Zapatist conflict. If the executive branch showed that resolve and sought legal channels for releasing them, it would be another significant sign in giving guarantees and security to the EZLN. The fact that alleged Zapatists are in jail does not further the process of detente in any way.

"The EZLN also has obligations. It must reaffirm the line that it has expressed in the three declarations from the Lacandon Forest, to the effect that it wants to reform the state, not destroy it. It must reaffirm its line of political participation. And it must reaffirm that it has not resorted to terrorism, which is a worldwide cancer that causes social breakdown."

"Is the ultimate solution to the Chiapas conflict reform of the state?"

"Of course! That is it," Jaime Martinez Veloz chimed in.

As far as Martinez Veloz is concerned, the dialogue for reforming the state must be promoted anew in the Congress of the Union, while the political parties negotiate a definitive electoral reform in the Interior Secretariat.

"The fact is that the onslaught by the groups that have authoritarian leanings is very heavy," he said. "They would like to see authoritarianism and repression as the solutions to the conflicts in society, in order to subordinate the president to their own objectives and methods.

"The larger conflicts that the state is confronting are not the ones that society has posed but rather the ones involving the groups that have held power or still do and whose objectives and methods cannot be accurately tracked because no one knows how they are going to act.

"I think that the best way to deal with these destabilizing circumstances brought on by the apparatuses of power themselves is through a solid alliance between the legislature and the president, without intermediaries, to direct and spur the democratic reform of the state."

Armed Forces Support for ARE Voiced

96CA0036A Mexico City REFORMA in Spanish 1 Nov 95

[Article by Miguel Perez: "Army Backs Economic Program; Cervantes Pledges Support for Alliance"; received via Internet]

[FBIS Translated Text] The country's Armed Forces told President Zedillo yesterday that they support the Alliance for Economic Recovery (ARE) that the country's production sectors entered into last Sunday.

During a private meeting at Los Pinos, Defense Secretary Enrique Cervantes told the chief executive that the country's Armed Forces pledge to back the ARE.

"We believe that we understand the crucial importance of this pledge. To our country's efforts to move toward a fuller democracy and the consolidation of our liberties in a climate of peace and dignity, it adds the unavoidable determination to have masses regain and raise their standards of living," he said.

Speaking before almost 150 high command and senior officers in Adolfo Lopez Mateos Hall, the defense secretary said that on this occasion and as many times as may be necessary, we must overcome adversity, surmount obstacles, love Mexico, honor its past, and forge its well deserved future.

He indicated that the support for President Zedillo is staunch and vigorous, because under his leadership the imbalances that have hurt income, jobs, and production sources will have to be corrected.

"The Armed Forces will not lose confidence or lose their way," he said. "No one is entitled to lose faith in Mexico; we are here, at the service of this great and persevering people and of its legitimate chief executive."

According to a communique from the Office of the Presidency, the defense secretary indicated that the ARE requires determination and discipline from society and the government, but above all a great sense of joint responsibility.

"The economy is of vital importance to the country, and we in the Armed Forces do not wish to stint in our presence, attitude, courage, and action in lending effective help," he added.

President Zedillo, for his part, stated that this support confirms the Army's loyalty to Mexico, its identification with the nation's principles and aspirations, and the unity that it maintains in its mission to defend the homeland and work for its greatness.

Armed Forces Criticized for Comments

96CA0039A Mexico City REFORMA in Spanish 3 Nov 95

[Article by Julieta Medina and Miguel Angel Juarez: "Military's Stand Criticized"; received via Internet]

[FBIS Translated Text] The military's support of the Alliance for Economic Recovery (ARE) has prompted a variety of reactions among legislators. Some described it as a positive development, while others called it "veiled intimidation."

"It is a fascist message to the people of Mexico; it is veiled intimidation. I do not think that the military has taken this stand spontaneously; it is responding to instructions," said PAN [National Action Party] Deputy Manuel Espino.

Eusebio Moreno Munoz, who also belongs to PAN, said that the military's support for the executive branch is a grave matter because it is not the job of the Armed Forces to concern itself with economic policy.

"It is worrisome, because there has already been an attempt by the military to gain sector status in PRI [Institutional Revolutionary Party]; there is a group in the military that is interested in entering politics, without considering the role that the Constitution assigns to them," he underscored.

Tonatiuh Bravo Padilla, a citizen deputy and member of the Defense Committee of the Chamber of Deputies, stated that the military's support is positive yet worrisome given that the economic program could cause social disturbances.

"I have the impression that the president and the interior secretary are systematically interested in having the military publicly express support for them," he said.

In the view of PRI Deputy Miguel Rodriguez Ramirez, a general on leave, the support represents another show of Armed Forces loyalty.

"As a citizen, a deputy, and a general on leave, I do not find the backing expressed by the Armed Forces to be unusual. It would be bad only if the military supported the economic program of a party, one presented by Santiago Onate or Porfirio Munoz Ledo, because it would be taking partisan stands, outside the law," the lawmaker remarked.

Guatemala

Spokesman: U.S. Aid Cut Not To Affect Armed Forces

PA0711040895 Guatemala City LA REPUBLICA in Spanish 4 Nov 95 p 3

[FBIS Translated Text] Guillermo Caal Davila, chief of the Army Information and Press Department (DIDE), said yesterday that the U.S. Congress' decision to suspend military aid to Guatemala does not affect the armed forces, and he added that this measure is not new.

The military spokesman thus reacted to the decisions made separately by the U.S. Senate and House of Representatives to suspend military aid to Guatemala and Peru in Latin America and to several Asian countries.

"This type of resolutions does not affect us, because aid was taken away from the Army more than 15 years ago and we have managed to survive; nevertheless, as an armed institution, we respect the decision made by a foreign government," Caal Davila noted.

He pointed out that the United States is currently providing assistance to the Guatemalan military in the form of technical training to ensure that its members can serve the fatherland as well as in special missions.

Caal Davila pointed out that Guatemala signed cooperation agreements with international organizations and the nation to the north, with which it is jointly fighting drug consumption and trafficking.

"Evidence of these agreements is a UN multinational force in Haiti that includes a contingent of Guatemalan soldiers who support the restoration of democracy in that country," Caal Davila added.

In the opinion of the military officer, this type of suspension does not affect the armed forces, but it does affect the Guatemalan people when economic aid for rural development projects are suspended, "because rural area inhabitants will be the ones affected when important works cannot be developed."

Suspension of aid to the Guatemalan Army started in 1977 with the government of U.S. President Jimmy Carter.

Meanwhile, Ronalth Ochaeta, director of the Archbishopric's Human Rights Office (ODHA), said that the sanctions constitute a clear message for the armed forces, "because they have been accused of being the biggest human rights violators."

This type of sanctions against the army constitutes clear evidence that international organizations and the U.S. Congress believe that there has been no progress in respecting human rights.

URNG Not To Extend Cease-Fire To Facilitate Elections

PA0711203595 Panama City ACAN in Spanish 1742 GMT 7 Nov 95

[FBIS Translated Text] Guatemala City, 7 Nov (ACAN-EFE) — Francisco Villagran, a member of the Political-Diplomatic Commission of the Guatemalan National Revolutionary Unity (URNG), has announced that the guerrillas will not extend the unilaterally decreed cease-fire to facilitate the elections on 12 November.

Both Guatemalan President Ramiro De Leon Carpio and the Armed Forces have requested that the guerrillas extend indefinitely the end of hostilities or at least until 15 January 1996, a day after the president, who will be elected in the 12 November general elections, takes office.

In statements to local radio station "Sonora Is the News," Villagran reiterated, however, that the "unilateral" truce the URNG decreed as of 1 November "will not be extended or maintained indefinitely."

The definitive cease-fire, the guerrilla leader has said, will be one of the "operational" topics to be discussed within the framework of the government peace negotiations.

Villagran, who has ruled out guerrilla links to any political party, has assured "we have faithfully complied with the unilateral commitment" to the truce up to now.

The URNG's Political-Diplomatic Commission leader believes the 35 years the armed conflict has lasted in Guatemala "have not been futile, and we want to demonstrate that the struggle was worth it."

In turn, Army Spokesman Colonel Guillermo Caal, also has said the guerrillas up to now have respected the unilateral truce decreed seven days ago.

Notwithstanding, he reported the capture of three alleged guerrillas in Alta Verapaz Department, while distributing rebel propaganda.

Caal believes the three under arrest could be part of personnel who are out of control of the URNG "command" based in Mexico.

Government, URNG Resume Peace Negotiations in Mexico

PA0811025595 Guatemala City PRENSA LIBRE in Spanish 7 Nov 95 p 58

[FBIS Translated Text] The Guatemalan Government and the Guatemalan National Revolutionary Unity

(URNG) today returned to the table of peace negotiations in Mexico, an official source announced yesterday.

Sociologist Hector Rosada, president of the Peace Commission (Copaz), said that in this new round they will discuss the subtopic of the "resources for development," which is part of the "socioeconomic and agrarian situation aspects" topic.

Rosada explained that this point, the penultimate one in the agenda of conversations, was divided in four subtopics: public endeavors, public services, resources for development, and agrarian aspects. The government official noted that the agrarian aspect is virtually concluded, but the parties have not been able to reach agreement on the remaining points.

The Copaz and URNG, under UN mediation with Frenchman Jean Arnaulte as moderator, are striving to achieve progress in the negotiations before the date of the elections.

URNG: Government 'Proof' To Determine Kidnapping

PA0711195395 Panama City ACAN in Spanish 0258 GMT 7 Nov 95

[FBIS Translated Text] Guatemala City, 7 Nov (ACAN-EFE) — The Guatemalan guerrillas stated today that President Ramiro De Leon's government and its security forces have "enough" proof to determine who kidnapped Carlos Velasquez Menchu, nephew of Rigoberta Menchu, who won the 1992 Nobel Peace Prize.

In a communique the Guatemalan National Revolutionary Unity (URNG) sent to ACAN-EFE, it urged the government to act "immediately" and "vigorously" to solve this crime, which directly affects a one year, 10-month-old boy.

Moreover, it asks to punish mercilessly those responsible for kidnapping the child on 4 November.

The URNG, whose political leadership is located in Mexico, condemned this criminal action, which helps to "perpetuate" a policy based on terror and threats in this country.

It agreed with the Nobel Peace Prize winner in that Menchu's son, Max Nahualja, a one and a half year old boy, was the intended victim to be kidnapped.

In addition, it claims that the reasons for this "vile" attack are that Menchu became an "example" when she accused 26 soldiers who were charged with assassinating 11 peasants in a community in northern Guatemala on 5 October, but another reason was her civil campaign to encourage people to vote at the general elections that will be held on 12 November.

Since the child was kidnapped, the authorities have unsuccessfully carried out numerous operations to find him.

President: Electoral Fraud 'Impossible'

PA0811121395 Guatemala City PRENSA LIBRE in Spanish 6 Nov 95 p 4

[FBIS Translated Text] Electoral fraud, at this time, is considered to be impossible mainly because of the credibility of the authorities of the Supreme Electoral Tribunal who have run several elections, whose validity has never been questioned, President Ramiro de Leon Carpio said yesterday at 1230 at the Protocol Room of La Aurora Air Terminal in Zone 13.

The president pointed out that there can be no fraud at this time, because the system would not allow it, and above all, because more than 200 international observers and the Guatemalan people would be present.

President De Leon was reacting to statements made two evenings ago during a meeting in this capital by Alfonso Portillo, presidential candidate for the Guatemalan Republican Front, FRG, that he heard rumors of fraud in the upcoming 12 November elections.

De Leon Carpio stressed that this will be the first elections in which there will be no official support of a specific candidate. The president added that he has been accused of supporting a specific political party but that this was false, because if this were true, the goverment's methods and resources would be visible in the campaign.

He noted that if fraud were apparent in any state institution, he would be the first to report it.

'Marked Absenteeism' Anticipated in General Elections

PA0811042695 Guatemala City Televisiete Television in Spanish 1900 GMT 6 Nov 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Despite efforts by political groups and candidates, it is anticipated that there will be marked absenteeism in the general elections. A total of 19 candidates have been registered for the general elections. This is something that happens for the first time in the country's recent history. Of this large number of candidates, polls indicate that only three candidates have the possibility of reaching the presidency.

The candidates are headed by Alvaro Arzu for the National Vanguard Party, followed by Fernando Andrade, who was nominated by the Alliance of Christian Democratic Party, National Union of the Center, and Social Democratic Party. He is followed closely by Alfonso Portillo of the Guatemalan Republican Front. For some sectors, the person who will be noticeably absent in these elections is the controversial military leader Efrain Rios Montt. He was not registered because, according to the Supreme Electoral Tribunal, he was banned from running because he occupied the presidency following a coup d'etat. This caused his party to fall to third place in the list of preferences, after he appeared to be the winning candidate in early 1995.

Political analysts note that, despite the approaching elections, none of the candidates has managed to arouse enthusiasm among the majority of electors. That is why it is feared that voter absenteeism at the polls may well be over 50 percent. In almost 35 years of internal war, these elections will take place without any armed confrontation, following the decision by the URNG command to enforce a 13-day cease-fire which began on 1 November.

Swiss Mission Reports Threats to Citizens, Candidates

PA0811040795 Mexico City NOTIMEX in Spanish 2108 GMT 6 Nov 95

[FBIS Translated Text] Guatemala City, 6 Nov (NOTIMEX) — The Swiss mission that is observing the Guatemalan electoral process which will conclude with the general elections next Sunday, charged today, that former military commissioners are intimidating residents and candidates in the interior of the country. According to the mission report, presented by Swiss parliamentarian Anita Cuenod, "there have been raids and verbal threats against candidates and their respective relatives."

The text of the document asserts that Swiss observers met 30 Army soldiers at the Santa Lucia community, located in the western Totonicapan department, who were not able to explain their presence in the place. According to the report, the soldiers escorted several armed, former military commissioners who addressed the residents in an arrogant manner and told them to vote for the National Vanguard Party (PAN). The military group showed displeasure with the presence of the observers, the mission added.

The military commissioners used to be responsible for the recruitment of youths for compulsory military service but their assignment ended this year. The commissioners have repeatedly been charged of human rights violations.

"The climate of fear that has been provoked in several communities could be one of the most serious obstacles in this country's electoral process," Cuenod asserted when she presented the observers' first report.

Although Mario Guerra Roldan, the president of the Supreme Electoral Tribunal (TSE), had asserted that the Army would stay in the garrisons for the elections, the Swiss mission expressed its concern for the high degree of militarization in the country.

Regarding intimidations, the Swiss report asserts that members of the Civic Committee and the priest — not identified — of the Cabrica community, located in the western Quetzaltenango Department, were threatened by PAN and ultrarightist National Liberation Movement (MLN) followers. The followers of both political organizations accused the Civic Committee members and the priest of being guerrillas and of having ties with the leftist New Guatemala Democratic Front (FDNG).

The report presented by the observers also mentions that there is a latent fear in the rural population for the possible lack of public transportation to take them to the polls on Sunday. "The lack of free public transportation favors the majority parties as they will have vehicles to take the people to vote on condition of getting their vote," the Swiss report asserts.

The Swiss mission, which comprises members of the Swiss parliament, unions, and non-governmental organizations, prepared its first evaluation after visiting the western departments of Totonicapan, Quetzaltenango, and San Marcos. They also visited the central area of Guatemala and the Quiche in the north.

Approximately 3.7 million Guatemalans are registered voters to elect a president, vice president, 300 mayors, 80 deputies to the Congress, and 20 deputies to the Central American Parliament (Parlacen) on Sunday.

President Denies Pressuring Prosecutor on Bamaca Case

PA0711012895 Guatemala City LA REPUBLICA in Spanish 3 Nov 95 p 2

[FBIS Translated Text] After meeting with the presidents of the legislative and judicial branches, President Ramiro De Leon Carpio denied having "exerted pressure on the Office of the Prosecutor General of the Republic concerning the cases of guerrilla Efrain Bamaca Velasquez and the process against peace commissioner Hector Rosada Granados."

Showing surprise, De Leon Carpio asked: "What kind of pressure could I exert?...the Bamaca case is in the appeals stage at a court in Retalhuleu, and the hearing against Rosada Granados will be handled by Congress after the recess, in other words after the general elections."

He doubted that remarks made by Prosecutor General Ramses Cuestas Gomez carried those implications, noting that "there could have been misinterpretations." He added that he has always respected the autonomy of government branches and institutions as he clearly understands the indepencence of powers.

Without waiting for the inevitable question on whether or not he would remove Cuestas Gomez from his post, De Leon Carpio said that no decision has been made yet. "Before you ask me, I will say that during the dialogue on impunity, nothing was said about removing the prosecutor general... this has not been defined yet," he added.

The UN Mission for Guatemala (Minugua) has questioned both the Attorney General's Office (MP) and the Prosecutor General's Office in various reports, describing them as "inefficient" institutions that contribute to fostering impunity during the process of imparting justice.

De Leon Carpio has not considered implementing Article 14 of the MP law on the removal of the prosecutor general, who is entitled to a hearing if charged with a crime.

President Orders Assistance To Locate Kidnapped Infant

PA0811012295 Guatemala City PRENSA LIBRE in Spanish 6 Nov 95 p 6

[FBIS Translated Text] Guatemalan President Ramiro De Leon Carpio said yesterday at 1230 that he ordered military intelligence to support the investigation to locate 22-month old Juan Carlos Velasquez Menchu, nephew of Nobel Prize winner Rigoberta Menchu. The infant was kidnapped by three persons on 4 November on 7th Avenue and Marti Street, Zone 2.

The president said that as soon as he learned of the kidnapping, he ordered the government and defense minister to coordinate efforts to find the child.

He said that both the Army, the National Police, and the Treasury Police are on the trail of the kidnappers and that the composite sketch of one of them, drawn by the security forces, will help to locate the kidnappers.

De Leon said that as far as is known, there has been no communication with the kidnappers.

Velasquez Menchu's kidnapping took place when his mother, after getting off a bus from Coban, headed toward Rigoberta Menchu's home in the area, to attend a wedding.

She was intercepted by three individuals travelling in a white car with tinted glass. One of them threatened her that the child would not be returned if she reported the incident to the police.

From the outset, the Nobel Peace Prize winner has charged that government security forces of being responsible of the kidnapping and claims that this is done to intimidate her for having made charges against the soldiers on trial for the Xaman, Chisec massacre.

Marilyn McAfee, U.S. ambassador to Guatemala, visited 1992 Nobel Peace Prize winner Rigoberta Menchu at 1600 yesterday to learn first hand about the kidnapping of Menchu's nephew Juan Carlos Velasquez Menchu.

The meeting took place in Menchu's home, on the Simeon Canas Avenue, Zone 2. According to her relatives, the diplomat expressed the U.S. Government's concern for the act of violence that affects the Nobel Prize winner.

Separately, activist Helen Mack considered the infant's kidnapping indignant and said that the whereabouts of the minor must be immediately cleared and held the government led by Ramiro De Leon Carpio and security forces responsible for the child's physical safety, a CERIGUA dispatch reports.

Leader Isabel Solis, national coordinator of the Coordinating Board of Indian Organizations and Nations of the Continent, CONIC, condemned the kidnapping because it is an intimidation against the Mayan leader, which includes leaders of the popular Guatemalan movement, she added.

Baltzar Vi, leader of the Peasant Unity Committee, said that the attack could be related to the work by the Nobel Prize winner calling the people to vote in the 12 November elections.

Honduras

New Chief of Armed Forces Interviewed

PA0611215995 Tegucigalpa Voz de Honduras Network in Spanish 1615 GMT 1 Nov 95

["Exclusive" interview with Colonel Mario Raul Hung Pacheco, new commander in chief of the Honduran Armed Forces, by Lucia Alvarado and Danilo Izaguirre; place and date not given]

[FBIS Translated Excerpt] [Alvarado] We have an exclusive interview with Col. Mario Raul Hung Pacheco after being elected commander in chief of the Honduran Armed Forces. Col. Hung, what is your first reaction after the National Congress unanimously elected you commander in chief of the Armed Forces?

[Hung] Well, Lucia, my first reaction is to thank God for this situation that has come upon me. It is a big emotion, it is a situation for which I am very grateful. On behalf of my family and myself, I thank the sovereign National Congress for having made the decision. It will make me redouble my efforts so as not to disappoint them or the Honduran people.

[Alvarado] Col. Hung, I am currently sharing this transmission with Danilo Izaguirre. What will be your program within the Armed Forces? There was much talk about reforms inside the Armed Forces. What reforms should be passed in order to bring the Armed Forces closer to civilians as some deputies have said in Congress?

[Hung] Actually, Lucia, the Armed Forces are part of the people. We come from the people, and we are here for the people. We must never even think that the Armed Forces are separated from the other state institutions. We are part of the state. We are Hondurans and as Hondurans we can tell the Honduran people that we are their armed forces and we are, therefore, closer to one another. There must be greater communication, greater understanding. We must know that we are all fighting for the same objectives, which is to push the Honduran nation forward. [passage omitted]

[Alvarado] Soldiers in the entire country are now listening to you. What message do you have for them? Soldiers are currently the people who earn the lowest salaries in this country. You said in a previous interview that you would fight to improve the soldiers' wages in the entire country.

[Hung] It is something we talked about with the president of the Republic, our commanding general of the Armed Forces, and he told us that he would pay soldiers a worthy salary. What is my message? The first message for our soldiers is clear, precise, and concise as we speak in the military. We want to tell them that the commander in chief of the Armed Forces continues to be my General Luis Alonso Discua Elvir. I am currently just the commander-elect, and I will not be sworn in until 28 January 1996. We must continue to have faith in our chiefs; we must continue to believe in military discipline; and we must continue to believe in our trilogy of loyalty, honor, and sacrifice.

[Izaguirre] You (?left) certain things clearly established before the president of the Republic, the president of the Congress, and party leaders. The three parties represented in Congress showed a certain opposition to you, which was a strong opposition in the beginning. The opposition was dissolved, and your opportunities were great. What were the commitments made by Mario Raul Hung Pacheco? I understand commitments are individually made [words indistinct]. What was your commitment for the fulfillment of the Constitution of the Republic and respect for human rights in this country?

[Hung] You have said it, Danilo Izaguirre. The commitment we have is to the fatherland. Our commitment is to protect democracy, to protect human rights, and to make efforts to push our country ahead. In this regard, I want to say that we did talk about the work we will be doing in the future. For example, we have to help young men entering the Armed Forces to leave the Army with a profession. This will contribute to the government's efforts to educate the population. All those leaving the Armed Forces will do so with a profession, and we will have more skilled labor. Private enterprise must also cooperate with this effort to absorb these young men once they are discharged from the Armed Forces.

[Izaguirre] As a subordinate of Gen. Luis Alonso Discua Elvir, what is your opinion regarding the position he assumed when he was even offered the chance to continue as chief of the Honduran Armed Forces, Col. Hung Pacheco?

[Hung] I already talked about this when I was interviewed by reporter Melgar. I will reiterate it now. My General Discua Elvir has been the most well-balanced and prudent man in Honduras in recent history. He has helped solve crises and prevented possible incidents of violence both inside and outside the institution. He is a man whom I admire and respect because without facing any obstacle to be reelected, he played a leading, historic role for this succession.

[Alvarado] Let us describe this moment in the Armed Forces as historic. There are currently some people who believe the commander in chief of the Armed Forces should be the defense minister. Some groups of people believe this should not happen because there would be too much politics within the armed institution. What is your opinion about the position of some deputies in Congress?

[Hung] It is a topic that will be discussed later on. These are situations that are part of the modernization of the state. Honduran society must at some point in the near future determine what is best in order to come out ahead and achieve its national objectives. I would, therefore, not venture to say anything more than what I have already said.

[Alvarado] Is there a willingness to adapt to these changes as demanded by modern societies?

[Hung] We have always believed that an institution that does not change becomes too rigid, that everything that becomes too rigid becomes a fossil, and that everything that becomes a fossil breaks. We, therefore, have to be sufficiently flexible to come out ahead in the modernization of the state.

[Izaguirre] Some opposition groups would like to weaken your chances as commander in chief of the Honduran Armed Forces arguing that you had disrespected the president of the Republic. Did you disrespect President Carlos Roberto Reina, yes or no?

[Hung] Definitely not, Danilo. I reiterate, this is part of history, and it is a topic I will not discuss again.

[Alvarado] It is something that must be sufficiently cleared up because people insist on that, Col. Hung. It is said that you read a document before the president, and this was described as a lack of respect for the president.

[Hung] That is history, Lucia. The president was clear, specific, and concise with that, and I believe it is not worthwhile to repeat things of the past that do not contribute anything to the future. [passage omitted]

[Izaguirre] In Congress today, there were people who questioned the armed institution. They perhaps did not question you, but they questioned the armed institution. One of the demands is that they want a new, different chief of the armed forces, they said they do not want a chief tied to the past.

[Hung] The truth is that they are, logically, going to have a new chief. [laughter] The armed institution has adopted a policy of continuity in its plans and work schedules, but logically there are parameters which we cannot escape. There will always be a personal touch. In this regard, I want to tell you that we are always going to try to keep on fighting for respect for human rights, the Constitution, the laws, and we will always fight for democracy.

[Izaguirre] Following the dismissal of charges that was announced at the 2d Criminal Court in Francisco Morazan in the case against Mario Raul Hung Pacheco for disrespecting human rights and in view of the judge's definitive decision, can you describe yourself as a defender of human rights? This was one of the weakest parts of [words indistinct] the armed institution?

[Hung] The truth Danilo is that this was a legal issue that was discussed in court. You know about the case of the late (?Laguna Cruz). My participation there was as chief of the Public Security Forces. I want to tell you that two people were arrested. They were turned over to the proper courts, and they are in prison. At no time did we tried to conceal the responsibility of these individuals, who as policemen disobeyed their superiors, they abused their authority, and committed that crime. [passage omitted]

[Izaguirre] Do you feel hate, revenge against those who tried to publicly tarnish the image of Mario Raul Hung Pacheco?

[Hung] Definitely not. I am understanding. If someone tries to achieve an objective and tries to attain it, the ideal thing would be for him to reach it ethically and with professionalism, but as Macchiavello said many times, the end justifies the means, which is not our case. We always try to be professional, always seeking to be the first by seeking academic excellence and by being efficient in the fulfillment of the duties assigned to us by the institution.

[Izaguirre] Col. Hung, it was agreed that the cases of missing persons will be turned over to the judicial branch, which means the judicial branch will decide if amnesty will include the military or not. If the military is not included in the amnesty, would you turn in the officers who have been accused?

[Hung] The truth is that they have their defense lawyers. This is a case that will be decided in court, and the defense lawyers are the ones who will decide, it will not be the Armed Forces. It will be up to the people defending them. [passage omitted]

[Izaguirre] You will logically be promoted to general soon. There will be people being discharged. As Lucia said, will the sixth promotion leave the institution with the departure of Luis Alonso Discua Elvir? Is this the mechanism that will be followed in keeping with this generational succession?

[Hung] We cannot think about that. Ethics guide us in this case. It is difficult for a military professional to be under the command of someone who used to be his subordinate. Ethics tells us what procedures we must follow. Logically, they must reach their 30 years of service just as we are going to reach our 30 years of service in the near future. Our professional career forces us to leave the institution and join the ranks of the retired officers. We are all going there.

[Alvarado] You are going to have generals as advisers?

[Hung] The truth is that all those who have been in the institution love the institution. They have always given their advice to the new generations. All their recommendations will certainly be well heard. To end, I would like to thank you for this interview, Lucia.

[Izaguire] One last question, Col. Hung. What will your relationship, as new commander in chief of the Armed Forces, be with President Carlos Roberto Reina, with the president of Congress, and with the president of the Supreme Court? What will your relationship with them be?

[Hung] The relationships and mechanisms have already been established. We are their subordinates. We are the direct subordinates of the president of the Republic; we are subordinated to the National Congress; we respect the laws and regulations of the Republic. The Constitution clearly defines this. We cannot violate that. The president is the commanding general of the Armed Forces, and I am his subordinate as comander in chief of the Army.

[Alvarado] Complete subordination?

[Hung] Complete subordination. We are going to give direct support to the president in his work so that he can be successful in his duty. He will always have our unconditional support.

Army Chief Disagrees With Length of Sentence for Officer

PA0811023595 Tegucigalpa LA TRIBUNA in Spanish 7 Nov 95 p 6

[FBIS Translated Text] Armed Forces Commander General Luis Alonso Discua has said that the 21 years 7 months sentence imposed on Lieutenant Colonel Juan Blas Salazar for cocaine trafficking means that the judge acted in a "somewhat hasty" fashion.

Discua said: "He is not a drug-trafficker because he had to leave his office where he left four or five kg of cocaine and it has been determined he does not know where the drug went."

During an interview granted to This Very Day [newscast broadcast by Tegucigalpa's Telesistema Hondureno Television Network], General Discua criticized the fact that Honduran courts of justice have not considered 30, 40, or more kilograms of cocaine found in possession of foreigners as evidence enough for a conviction.

"It is evident that this case" he said, "has been treated casually and while in the eyes of the law we are all equal, I see in the sentence against Salazar some sort of vengeance, a desire to show the prevalence of civilian power over the military."

He said he agrees that civil power must be above the military but, he noted "I do not believe that these actions will show the supremacy that some want to exhibit."

Discua said that Salazar can appeal to other law institutions but regretted: "We are already seeing a bias implementation of justice."

Discua said that Salazar will appeal to the forums provided by the law, such as the Supreme Court of Justice as a last option.

Discua said that this unconformity will be presented to President Carlos Roberto Reina himself, who in his opinion is a very sensible person who as an international jurist knows about this type of cases.

"We are going to speak to him about this. He is our immediate superior and there must be a two-way loyalty: from superior to subordinate and from subordinate to superior, which is the natural loyalty," he said.

Regarding the case of another lieutenant colonel, Alexander Hernandez, for whom there is an arrest warrant, Discua said that he and other accused military have defense attorneys who have instructions and know how to proceed.

The military chief said that after the Salazar case, the defense of the accused military have to take precautions.

Discua said that right now the attorneys believe the accused persons must not present themselves until the situation is more clear and because there is an amnesty that permits the accused to abstain from making court statements.

Regarding charges from the commander of the Public Security Force [FSP], that in the cases against the military there is money involved, he admitted that this has never been proven, "but the fact that drug traffickers can easily leave prison should make us think," he said.

Discua admitted it is possible that the current FSP commander, Colonel Roberto Lazarus, could occupy the General Command of the Joint Staff, thus becoming the number two man in the Armed Forces, but said this decision belongs to Colonel Mario Hung Pacheco.

Nicaragua

BCN President: Government Needs To Privatize Telcor

PA0711044995 Managua BARRICADA in Spanish 3 Nov 95 p 6

[Report by William Ruiz Murillo]

[FBIS Translated Text] At a working fast [as published] with reporters, Dr. Evenor Taboada, Central Bank of

Nicaragua [BCN] president, has hinted that the government needs to privatize Telcor [Nicaraguan Telecommunications and Postal Services Institute] as soon as possible to ensure that the $100 million that the multilateral organizations have retained enter the coffers of the Central Bank.

Taboada sees no alternative but selling 50 percent of Telcor to ensure those $100 million will arrive in the country to reappraise the bonds of the confiscated people.

The BCN president believes that the multilateral organizations will not lend money to Nicaragua to resolve the conflicts of the properties and the bonds of the confiscated people.

The economic cabinet made the decision to sell Telcor three years ago in order to comply with part of the ESAF [Enhanced Structural Adjustment Facility]. It is not that the workers' proposal, which rejects privatizing Telcor, is not viable; their proposal does not match the commitments the government has made to the World Bank and the IMF, he said.

On another subject, the BCN head pointed out that the economy will close at 4 percent this year, even though the corn and bean harvests have sustained losses. However, there were no losses in the export of products.

Taboada reported that more than $400 million will be exported this year and that $800 million will be imported, which means that the gap between exports and imports will decrease, as compared to last year's gap, because imports will increase by only 16 percent and exports, by 30 percent.

Regarding a reform to bank secrecy to counterbalance drug trafficking and money laundering, he stressed that he favors prosecuting these crimes, but that we must act carefully regarding the national banking system to ensure investigations will be conducted based on sound evidence. The penal code already stipulates a path to circumvent the banking secrecy, "because it cannot translate into full impunity," Taboada maintained.

He also said that he supports the Law on Development To Reduce Income Tax [Ley de Fomento de Reduccion del Impuesto Sobre la Renta], because, in his opinion, those who earn more will pay more taxes and those who earn less will pay less taxes, adding that it is necessary to eliminate tax exemptions and that only family basket products must be exempted from taxes in order to pass the benefits on to the largest segments of the population. In other words, we should be able to collect more taxes without increasing them.

However, regarding the mid- and small-scale businesses, which do not keep accounting records, he explained that if they generate income, they must pay taxes on their assets, even if they only have a few assets.

With regard to decreasing the amount of circulating money, he said in these last months of the year, the amount of circulating money will increase thanks to the Christmas bonus, to which we add the granting of credits to the production sector and the financing of exports. An increase in circulating money is also expected from family remittances.

As for the inflation rate, the BCN official affirmed that we have so far accumulated a 9 percent inflation rate and that he hopes it will not exceed 10 percent by December, adding that the increase in the prices of basic commodities stems from, among other things, the increase in the value of the dollar and from minor devaluations.

He assessed that the ESAF has not failed; the government failed to meet several of its goals. "This year, we have as a goal to exceed the year's net reserves by more than $40 million, but we will close the year with $22 million less," stressing that the net reserves are fluctuating between $125 and $130 million, "an amount that will increase in 1996."

Regarding the debts owed to the Central American Economic Integration Bank (BCIE), Taboada said that a proposal is expected; however, the BCN will pay the debts with liquid resources and the surplus collected from development bonds to ensure the BCIE will release the resources it has retained.

He maintained that these retained resources amount to $18 million, part of which has been earmarked for a turbines project; $10 million, to the Industrial Free Zone; $3.5 million, to the coffee sector; $3.5 million, to the cattle sector, which has had some problems with its canalization project; and $500,000, to the micro business sector.

With regard to the thousands of people who owe money to the Banades [National Development Bank] and the Banic [Bank of Nicaragua], the high-ranking BCN official pointed out that 13,000 people must pay off their debts, because the state banks cannot be decapitalized.

It is believed that if the producers in arrears of payments fail to make a payment arrangement, Banades and Banic will auction off approximately 1 million manzanas of land for cattle and agricultural use, which, according to the opinions of the members of the National Cattle Commission, could seriously affect the country's production.

Aleman, Liberal Party Prospects Viewed

95CA0341A Managua EL SEMANARIO in Spanish 13 Jul 95 pp 10-13

[Article by Walter Lacayo Guerra: "The Two Faces of Liberalism"]

[FBIS Translated Text] Nicaragua currently has six Liberal parties: the Constitutionalist Liberal Party (PLC), the Independent Liberal Party (PLI), the Neo-Liberal Party (PALI), the Liberal Party of National Unity (PLIUN), and two Liberal groups claiming the name of Nationalist Liberal Party (PLN).

Nevertheless, in terms of representation, organization, political activism and national presence, the real forces are the PLI and PLC.

Two Liberal blocs formed this week and launched their presidential candidacies for the 1996 elections. The first bloc is made up of the PLI, which has nominated Virgilio Godoy as its candidate, and a faction of the PLN that is not yet clearly defined, although it is said that it would probably be willing to support Godoy. The second bloc is made up of the PLC, PLN, PALI and PLIUN, which sealed the Liberal Alliance on 11 June and nominated Arnoldo Aleman as its presidential candidate.

As we shall see, a third bloc of lesser importance will support the National Project of Antonio Lacayo, minister of the presidency.

PLC, Arnoldo Aleman and the Mayoralty

During the revolutionary decade, the Constitutionalist Liberal Movement, founded in 1968 by Ramiro Sacasa Guerrero, became legally registered under the name of the Constitutionalist Liberal Party. Because of his conflicts with Guerrero, Somoza never ordered that the party be granted legal status. Nor was it ever really known as an organization that was politically aggressive or attractive or able to muster enough strength and skill to organize a mass party. On the contrary, during the 10 years of the Sandinist Government, the PLC maintained a low profile. Indeed, in 1989, Arnoldo Aleman, who has now become the top-ranking leader of the Liberal Alliance, did not even appear on the UNO [National Opposition Union] list of candidates for deputy seats in the February 1990 elections. His name barely managed to come in third on the UNO ticket for the Managua Municipal Council.

Nevertheless, it was at this precise time that Aleman began to demonstrate his skill in political maneuvering. In May of 1989, the new Managua Municipal Council was formed. It was assumed that control of the body would be in the hands of the Social Christians, inasmuch as Agustin Jarquin Anaya, president of the now defunct Democratic Party of National Confidence, headed the list of councilmen. No one doubted that he would be the new mayor of Managua. To Anaya's surprise, Arnoldo Aleman was elected mayor of the capital by a majority that included the four councilmen from the FSLN [Sandinist National Liberation Front]. Anaya was stunned and rendered powerless in the face of such a betrayal. Aleman had been dealing under the bargaining table to "persuade" them to elect him.

Mayoralty as Election Platform

Making the most of the resources and power available to a politician when he is the highest authority in Managua is one of the keys to the success of his political plans. According to Aleman, a politician accomplishes such plans without any need for an important post. Furthermore, he says, "no matter what the position" of an individual who has no leadership skills, he "will never go beyond it." Aleman's defense is filled with rhetoric, and yet, all the projects completed by his administration: the maintenance of green areas, the paving of streets, revival of the Malecon [jetty], widening of Avenida Bolivar, and the construction of two rotundas are all greatly valued by the citizenry and the source of much of his popularity. His "imagemakers" have managed to create the impression that Arnoldo stands for development and progress.

Opinion Polls

A review of opinion polls conducted in Nicaragua over the past two years reveals that, despite the fact that Aleman's political rhetoric was polarizing and revenge-based with respect to his detractors—whether Sandinist or pro-government—a poll conducted in the core urban area of Managua by M & R Consultants in February of 1993 reveals that 53 percent of those questioned had a favorable opinion of him, meaning that he was the politician with the highest acceptance levels at the time. It should be noted that the figure of Cardinal Miguel Obando, the person in Nicaragua enjoying the most prestige, was not one of the selections.

Even If They Steal!

The same poll reveals that the people of Managua want to develop the city regardless of the cost. The proof: When asked to evaluate the work of the Mayor's Office, 83.7 percent of those surveyed said it was good, compared with 7.4 percent who thought it was bad. However, when asked if the Mayor's Office was honest, 58.4 percent said "No," while 27.3 percent answered "Yes." The people obviously think that resources are not administered with transparency, but value the work done nevertheless.

Burning of Mayoralty

As we have seen, Aleman entered 1993 on a wave of popularity, but there is an explanation for everything: Two months previously, in November 1993, a bomb exploded at the Mausoleum of Carlos Fonseca, enraging orthodox Sandinists, who instigated the burning of municipal building and engaged in acts of violence rarely seen in Nicaragua. Some viewed the arson as an act planned by top FSLN officials in an effort to destroy Aleman's image. In the final analysis, all the violence turned Aleman into a victim, and victims always have sympathizers.

Aleman's Worst Year

Although Aleman started out with a good image in 1993, it turned out to be his worst period: His popularity dropped sharply in nine of the twelve months of the year. A public opinion poll concerning political personalities conducted by M & R in Managua in May 1993 ranked Aleman in third place in popularity, with 35.2 percent favorable and 34.9 percent unfavorable ratings, an 18-point drop from February to May. The drop coincided with his appointment as the UNO coordinator, which did not help him. A theory is emerging that, in this phase of political transition, people want leaders who will face economic problems and undertake development projects.

Aleman seemed to ignore the phenomenon and, in August 1993, a CID//GALLUP poll confirmed results previously presented by M & R, but this time it was worse: The mayor scored 31 and 41 percent, a negative rating that dropped him to sixth place compared with other politicians.

Monica Baltodano Improves Arnoldo's Image

In October 1993, FSLN Councilwoman Monica Baltodano filed suit against the mayor of Managua, accusing him of embezzlement, fraud and the misappropriation of public property. The trial lasted 12 months, time Aleman used to create the idea that he was the victim of an individual representating the most radical wing of the FSLN. The accuser's lack of prestige redounded to the benefit of the accused. Thus it was that in April 1994, the results of an M & R poll in Managua showed that Aleman had climbed to second place in popularity. Only months before, he had been ranked in sixth place. The rise in points was obvious. In the meantime, the proceedings initiated by Baltonado continued their legal course. In September 1994, the Managua Appeals Court nullified the lower court's ruling and declared Baltodano's charges against Aleman inadmissible. The following month, October of 1994, M & R conducted another survey in Managua revealing that Mayor Aleman had overcome all obstacles: 55.5 percent favorable opinions vs 31 percent unfavorable. Baltodano's legal suit was decisive in raising the mayor's image. Ever since, the results of polls conducted by various firms have kept Arnoldo Aleman in first place.

The question now is: Will he stay there until the last quarter of 1996?

Harding's Grain of Sand

Another factor contributing to Aleman's favorable profile was the useless action taken in January 1994 by Minister of the Presidency Antonio Lacayo, who ordered an audit of the Office of Mayor of Managua. Aleman refused to be taken by surprise and called out paramilitary forces to occupy the Mayor's Office. He had the books sealed by the court and, as a result, the deputy comptroller general could not conduct the audit! Only Aleman could open the books of the Office of Mayor until the National Assembly elected current Comptroller General Arturo Harding, who in August of this year completed an audit exonerating Mayor Aleman of any mishandling of commune funds. In other words, Harding bestowed a "certificate of honesty" upon the now candidate for the presidency of the republic.

The act was widely proclaimed by the Managua City Council: "There is no corruption in the Mayor's Office," according to the comptroller general. Aleman's popularity ratings continued to rise.

Liberal Alliance

Great efforts were made to have the five parties sign the Liberal Unity, but the endeavor turned out to be a "Mission Impossible." On 2 August 1994, an incident occurred to encourage the Liberals: All five factions signed a Certificate of Intent to Unite but, as the name indicates, the document was only an expression of intent. Disputes between the PLI and PLC and between the PLI and PLN stood in the way of any real agreements on unity. On 30 January 1995, all of the Liberal Parties—with the exception of the PLI—signed another agreement, not on unity this time, but signaling their intention of forming an alliance. Aleman and his advisers realized they were wasting their time dreaming about unity. Rather, they would have an alliance in which he and his party would have a hegemony. However, to achieve it, they would have to leave out the PLI. In an interview conducted after the agreement was signed, Virgilio Godoy reported that the PLI was not even asked to sign the document. Actually, for the PLC, it would be better in the long run to count on the PLI. Its other allies are a cinch. They are not big enough—nor do they have the strength—to "pound on the table."

PLIUN: Leftist Liberals and the Right

The PLIUN has been the liberal wing that has labeled itself "leftist," in the words of one of its founders, Rodolfo Robelo (may he rest in peace) and current President Carlos Guerra, quoting a speech delivered at the Liberal Alliance's convention on 11 July.

But what is the PLIUN doing in an alliance with the PLC? The answer is simple: Vice President Lombardo Martinez Cabezas thinks it is legitimate for a small party to design an alliance strategy with its "big brother." For Martinez, given the current political phase in which Nicaragua finds itself, ideology must be relegated to a secondary level and consolidating group interests is now the thing. The party views the Aleman phenomenon as a reality, causing it to rally round that figure. Doubt remains as to whether Aleman will meet his political commitments, but the risk is viewed as worthwhile. Furthermore, the PLIUN claims to represent the Nicaraguan middle class, which thinks Aleman will protect its interests. In other words, both the PLIUN and the PALI and PLN see the PLC as their salvation.

PLI Position

PLI leaders have always stressed their interest in unity, not alliances. It is Virgilio Godoy's belief that what the PLI wants is for all Liberal parties to disappear so that they can make the leap "cold turkey" and form a solid Liberal Party with no qualifying label. EL SEMANARIO's own investigations reveal that the substance of all the contradictions is that independent liberals are not ready to accept Arnoldo Aleman's hegemony. For its part, the PLC does not accept the share of power demanded by the PLI. Moreover, Constitutionalist Liberals argue that governing the capital commune gives them the right to govern the Liberal Party, a premise PLI leaders refuse to accept.

Virgilio Launches Candidacy

On 9 January, two days before Arnoldo Aleman was proclaimed as the Liberal Alliance's presidential candidate and speaking at the PLI's municipal convention in Managua, Virgilio Godoy stepped forward as his party's candidate for the presidency. Godoy nevertheless expressed weakness when he announced that his candidacy was not definitive and said he was willing to negotiate with Aleman to achieve Liberal Unity. He also stated that the Liberal president of Honduras, Carlos Roberto Reina, would be willing to serve as a mediator between the PLI and the Liberal Alliance, based on an agreement between the disputing parties. Political observers say that Godoy has shown signs of flexibility and that he would be willing to relinquish his candidacy if Aleman would accept a PLI candidate for the vice presidency, plus power shares in the event of a possible Liberal victory.

Split in the PLN

This party was outlowed by the National Reconstruction Government Junta and its leaders went into exile, disappearing from the national political spectrum. On 14 October 1993, they filed an application requesting legal status for the CPP. It was not granted because of opposition from the FSLN. The split in the party occurred when its president, Roberto Castillo Quant, signed the Liberal Alliance on 30 January 1995. The party's National Assembly met on 2 April 1995 and voted not to recognize Castillo Quant's signature because "he acted behind the party's back." It unanimously rejected Arnoldo Aleman's Liberal Alliance.

Castillo Quant was kicked out of the PLN but, with Arnoldo Aleman's support, he organized another PLN board, which then attended the convention on 11 July 1995. The other group remained practically intact. The latter named Jose Leon Sanchez as this PLN president, blaming the PLC for inciting the split. According to one officer, "Aleman had his hairy hand in it."

Liberal Parties

Name: Constitutionalist Liberal Party

Officers: Arnoldo Aleman Lacayo, president; Leopoldo Navarro, vice president; Jose Rizo Castellon, secretary; Lorenzo Guerrero N., treasurer. Party initials: PLC. Party slogan: Progress, Justice, Freedom. Founded in 1968.

Name: Independent Liberal Party

Officers: Wilfredo Navarro, president. Party initials: PLI. Party slogan: Fatherland, Democracy, Freedom, Social Justice. Founded in 1944.

Name: Liberal Party of National Unity

Officers: Carlos Guerra Gallardo, president; Lombardo Martinez Cabezas, vice president; Cesar Augusto Lopez, secretary. Party initials: PLIUN. Party slogan: Fatherland, Freedom, Peace, Unity. Founded in 1985.

Name: Neo-Liberal Party

Officers; Ricardo Vega Garcia, president; Jorge Ramirez Acevedo, vice president; Benjamin Perez Fonseca, secretary; Octavio Gomez B., treasurer. Party initials: PALI. Party slogan: Education, Freedom, Demoracy, Justice. Founded in 1989.

Name: Nationalist Liberal Party

Officers: Roberto Castillo Quant, president; Enrique Sanchez Herdocia, vice president; Pedro J. Rios Castellon, treasurer. Party initials: PLN. Founded in 1992 in Miami. Note: This PLN supports the Liberal Alliance; the other PLN is the following:

Name: Nationalist Liberal Party

Officers: Jose Leon Sanchez, president; Leonidas Enriquez P., vice president; Roger Barberena G., treasurer; Ignacio Diaz Ch., secretary. Party initials: PLN. Founded in 1992 in Miami.

[Box, p 13]

PLC and National Project Fight Over Somocists

This is a list of recognized Liberals, comrades and colleagues of dictator Anastasio Somoza D. who were recruited by Antonio Lacayo, minister of the presidency, for his National Project. Months previously, these persons had supported Arnoldo Aleman, but they slipped out of his grasp.

Rene Arguello Sacasa was an adviser to Tio Luz in ENALUF [National Enterprise for Light and Power], who is now president of BAVINIC [Housing Bank of Nicaragua] for the Chamorro Government. Upon assuming the latter post, he returned his house to (National Guard) Colonel Orlando Villalta, head of Somoza's Air Force.

Juan B. Sacasa worked for Somoza's companies (CAPSA, AISA) and was a spokesman for Aleman's PLC. He now claims to be a spokesman for the National project.

Boris Leets Castillo, cousin of Nadia leets and wife of Luis Pallais Debayle.

Leandro Marin Abaunza, Somoza's deputy foreign minister.

Ernesto Navarro Richarson, Liberal deputy in the National Congress and also minister of labor in the Somoza Government.

Edwin Mendieta, Somoza's doctor,married to Maria Cristina Chamorro, who is a sister of the current Nicaraguan ambassador to the Vatican, Filadelfo Chamorro.

Alfonso Callejas Deshon was vice president, minister of development and education. He is the father-in-law of the current minister of government, Sergio Narvaez, who is connected to Minister of Foreign Cooperation Erwin Kruger, and was recently named—at the government's proposal—magistrate of the Supreme Election Council.

Roberto Sanchez Cordero, Nationalist Liberal attorney, partner of Tomas Delaney, deputy minister of the presidency, in his legal office.

Somocists in the PLC (among others)

(National Guard) Colonel Nicolas Valle Salinas;

Aaron Tuckler, the physician of Hope Portocarrero, wife of Anastasio Somoza;

Bayron Jerez, Nationalist Liberal, representative of the Managua Mayor's Office in Miami;

Julio Ignacio Cardoze, Somoza's minister of labor;

Roberto Castillo Quant, Chema Castillo's brother;

Hugo Torres, National Guard captain; and

Silvio Arguello Cardenal, who served as the nation's vice president.

Argentina

Israel's Peres Postpones Visit to Argentina

PY0711172395 Buenos Aires TELAM in Spanish 1346 GMT 07 Nov 95

[FBIS Translated Excerpt] Buenos Aires, 7 Nov (TELAM) — Interior Minister Carlos Corach said from Rome today that Shim'on Peres, the interim prime minister of Israel, has postponed the trip to Argentina that he had planned for between 30 November and 2 December.

In a telephone conversation with TELAM, Corach said: "The visit will probably be postponed due to events that are public knowledge."

Corach added: "Peres, who is a good friend of President Menem, was to have made the visit as foreign minister, but following the assassination of (Yitzhaq) Rabin the Israeli cabinet is being reorganized." [passage omitted]

Indian Prime Minister, Menem Discuss Bilateral Ties

BK0711161595 Delhi All India Radio Network in English 1530 GMT 7 Nov 95

[FBIS Transcribed Text] India and Argentina have agreed to expand bilateral cooperation in a big way. Three agreements have almost been finalized for investment protection, avoidance of double taxation, and cultural exchanges for two years. The entire gamut of bilateral ties came up for review at the talks between the prime minister, Mr. Narasimha Rao, and President Menem of Argentina in Buenos Aires today. It was decided that President Menem will visit New Delhi next year. They also fixed the middle of January for the joint commission to meet, and the agreements finalized could be signed then. Our correspondent Sebastian Roberts covering the prime minister's visit reports that both leaders were keen to exploit the bilateral trade potential fully. For this they agreed to open an honorary consulate at Santa Fe and more such contact points for Indian businessmen in various Argentine cities. Shipping lines will be strengthened and Air India will explore flight possibilities from India to Buenos Aires.

Iranian Envoy Urges 'Tightened' Security for Diplomats

PY0711232395 Buenos Aires CLARIN in Spanish 3 Nov 95 p 12

[Interview with Iranian "special" envoy Mohammad Reza Bakhtiari by Daniel Santoro when former was "visiting our country"; place not given]

[FBIS Translated Text] [Santoro] Are Iranian diplomats feeling insecure in Buenos Aires?

[Bakhtiari] The Argentine Government must offer security to all diplomats so that they are allowed to conduct their activities with absolute tranquillity.

[Santoro] Do you want the Argentine Government to tighten security at the Iranian Embassy and assign a guard for the charge d'affaires?

[Bakhtiari] Of course, after the incident involving our charge d'affaires and the harassment of our diplomats, we want security to be tightened. The government is responsible for tightening security.

[Santoro] Does Iran want Iranian Interpol members to participate in the investigation into the attack?

[Bakhtiari] It would represent a source of great satisfaction for us if the Argentine Government requests it, allowing us to send our experts to cooperate in the investigation.

[Santoro] Does the Iranian Government have any data that would contribute to resolving the attack against the AMIA [Argentine-Israeli Mutual Association] headquarters?

[Bakhtiari] We firmly condemned this attack, and we are always willing to cooperate with friendly countries. In this case, as we do not have any type of relationship, we cannot offer information.

[Santoro] Nevertheless, the armed organizations of the Lebanese Hizballah are being linked to the attack. and your government is closely linked to that party....

[Bakhtiari] The Hizballah is a legal party and is part of the Lebanese Congress. We are maintaining relations with it, as we are doing with all Lebanese parties.

[Santoro] Do you have any hypothesis on who could be the perpetrators of the attack?

[Bakhtiari] This type of terrorist action is generally sponsored by organizations linked to international Zionism. This attack could have been carried out by those groups that want to tarnish our excellent relationship with Argentina.

Israeli Envoy 'Disappointed' Over Investigation

PY0711161695 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1802 GMT 3 Nov 95

[FBIS Translated Text] Buenos Aires, 3 Nov (NA) — Israeli Ambassador to Argentina Yitzaq Aviran said today he is "disappointed" with the progress of the investigation of the bloody attack against his country's embassy in this capital because "not a lot has been done and absolutely nothing is going on now."

Aviran met today with Supreme Court Justice Ricardo Levene, who heads the investigation of the attack against the Israel Embassy on 17 March 1992.

"The report I have indicates that there are no clues, and if there are any they are old and valueless, they have faded with time," the diplomat said when he left Levene's office.

Asked about the investigation that Levene is heading, Aviran said: "I cannot say that there is inefficiency, but I have the impression there is no progress."

Without further identification, the ambassador said: "They are working to clear up the case," adding: "We, alone, will find the perpetrators if necessary."

The ambassador said: "I am sure the attack is very closely linked to the attack on the AMIA [Israeli-Argentine Mutual Association] and that the perpetrators come from the same place."

He explained that he must report to Israeli Foreign Minister Shimon Peres, who will soon visit Argentina, on the course of the Supreme Court investigation.

Aviran indicated that he told Levene of the satisfaction felt by Israel over the decision to extradite Erich Priebke, a former Nazi, to Italy.

'Dispute' Between Menem, Cavallo Seen Affecting Economy

PY0711162795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2022 GMT 2 Nov 95

["Special article" for NOTICIAS ARGENTINAS by Daniel Casal]

[FBIS Translated Text] Buenos Aires, 2 Nov (NA) — The current fragile economy and the measures that must be taken to invigorate it require a very strong concentration by the people who implement them, which in this case means President Carlos Menem and Economy Minister Domingo Cavallo.

Knowing how the situation stands, the two strong government men have agreed to reduce the tension of the dispute in order to reestablish credibility and to establish the bases for a new stage of readjustment.

The majority of the analysts agree that only with a monolithic power can a struggle be made to obtain a strict fiscal balance, which, for example, implies a reduction of salaries in several provinces.

This is so because the combination of a readjustment with weak government points to an explosive formula that has a history in the country.

Up until a few days ago, the chief of state was imagining a future without Cavallo in the government, but the strong signals that have been received from the financial centers forced him to change his strategy.

The alert that came from the circles that manage the destination of capital indicated that although with a strengthened economy any change of minister presumably would not alter the variables, with Argentina's current situation, however, it could end up by causing an earthquake.

In a secret meeting that was held in Olivos, the two men agreed that the short-term macroeconomic scenario will be conditioned by the celerity with which the ghosts created by the high degree of the dispute are eliminated.

Although no one wanted to confirm it, it is also thought that during that same meeting the economy minister accepted that Guillermo Seita [Economy Ministry's chief economic adviser] should leave the government after the hassle he caused during the chief of state's recent trip to the United States.

It was commented in the Buenos Aires Stock Exchange that, in exchange, the minister asked for the resignations of the ambassador to the United States, Raul Granillo Ocampo, and of the ambassador to the United Nations, Emilio Cardenas.

This is because from the viewpoint of the Economy Ministry, Granillo Ocampo and Cardenas sowed too many doubts concerning investment credibility.

The Variables of Readjustment

Other variables that will allow fluctuations must be used within the framework of a fixed exchange rate because, if not, there would be no escape valves to prevent backlashes.

This is why periodic and orthodox readjustments are made to the framework, such as the deflationary angle that is applied to salaries, either on salaries themselves or on their overheads.

The measure promotes an indirect readjustment of the exchange rate that can restore the profit margin of the exporting sectors, although, of course, with a high social cost.

Thus, with the prospect of a prosperous country in the future, the readjustment once again falls on the most ostracized sectors.

The palliative can come from an adequate tax collection that would allow the closing of the fiscal accounts and the achieving of the goals that have been promised to the IMF.

Notwithstanding, October brought another nasty surprise for the public accounts because the income from taxes was 3 percent lower than the expected goal.

In November expectations are centered on the income from the moratorium and on the tax offensive of the General Directorate of Taxation, which is now using computer data pertaining to the large tax payers.

The Gordian knot appears when an acute fall in activities and the restriction on the consumer are observed, especially where durable assets are concerned.

The absence of accessible loans and the problems within the chain of payments paint a not very encouraging picture for one to believe in a great upsurge in tax collection.

Therefore, the key word is reactivation, and the first indications of it will be observed as of 1996.

As the internal readjustment will be conditioned to getting the machinery of the factories moving much faster, and this will mostly depend on incoming foreign capital. [sentence as received]

But very little will be obtained if the ferocious internal fighting continues, fighting that puts in doubt not only the continuity of men, but also of policies that have been considered apt in the large financial centers.

With this argument in hand, Menem and Cavallo talked about the need to drastically reduce the political skepticism that is blocking the access to funds from other countries and to any possibility of a take-off of our very frail economy.

Commentator Views Recession, Economic Performance

PY0711161895 Buenos Aires LA NACION in Spanish 29 Oct 95 Section 2 p 2

[Article by Eduardo Bonelli]

[FBIS Translated Text] The statistics drawn by FIEL [Latin American Economic Research Foundation] do not leave any doubts regarding the size of the recession, especially in the manufacturing industrial sector: production dropped by at least 11.5 percent in September in comparison with the same month last year.

Even though manufacturing activities hit a record figure in September 1994, the recent drop is very meaningful. It also contributes to the 8.2 percent drop in production registered during the third quarter of the year, falling short of the economy minister's expectations to end of the year with a 1 percent growth in GDP in comparison with last year. The recession began in April and everything indicates that since things have not changed much in October, the year will end with a negative growth rate.

As generally happens, performance according to sectors is not the same. While industrial input producers — chemicals, rubber, plastic, steel works, aluminum, paper — demonstrate considerably positive rates, tractors, cars, and household appliances factories are languishing. Cement production also dropped by more than 15 percent. This demonstrates — contrary to the government expectations of the beginning of the year — a considerable slowdown of construction activities.

Consumption and Investment

The regular report issued by the Bank of Quilmes Economic Department, which is directed by Carlos Perez, reveals that investments have dropped considerably during these months of recessions.

To the reduced construction activity as demonstrated by the drop of demand for cement, we can add the drop of capital good imports by 24 percent during the second quarter of the year and by 30 percent at the beginning of July.

The reduction of tractor sales tended to correct itself in July and September, when only a 7 percent drop was registered as compared with the 30 percent drop registered between February and June 1994. Sales of domestic-made pickup trucks dropped by 58 percent between June and July, far more than the drop of car sales.

The Bank of Quilmes report shows stagnant machinery and equipment purchases during the third quarter after it had dropped by 25 percent between April and June.

Therefore, these easily accessible figures which reflect the performance of general investments demonstrate a considerable reduction — which the report estimates to be 20 percent — that reinforces the falling trend of the second quarter of the year when investments dropped by 16.3 percent.

Regarding internal consumption, which had dropped by 7.5 percent during the second quarter of the year, if measured by the joint collection of the taxes on production (the Value-Added Tax, internal taxes, and tax on fuel), tax collection is practically stagnant at levels close to those registered on the first quarter of the year:

Variation of tax on consumption in percentages, as compared with the same months in 1994: January: -3.5; February: -3.4; March: -7.3; April:-23; May: -13; June: -14.4; July: -16; August: -14; September: -17.1

The conclusion is that "there are no reasons to expect an increase of consumption on the third quarter of the year." Things do not seem to be improving in October. The perspective of a sustained recovery is dissipating and very few people believe that a recovery will take place before the end of the year.

Uncertainties

Of course there are reasons that explain the recession starting with the strong emigration of capitals registered at the beginning of the year. But now that we are speaking about rational expectations we should consider the psychological factors that generate and worsen the markets' uncertainty and that determine decisions that affect the economy.

These psychological factors have, since the crisis of the Mexican peso devaluation and the relatively satisfactory situation in Argentina, promoted panic with the consequences that can be observed.

These same psychological factors reappeared when the financial system was beginning to recover. They were generated by a political upheaval that has yet not been overcome since the deposits did not totally return to the banks.

Capital markets, which are affected by this distress and doubts, are grudgingly holding back their investments from Argentina and in view of the new exchange crisis in Mexico they must be congratulating themselves for their prudence no matter how much Cavallo claims that Argentina is not Mexico even though Argentina has so far demonstrated it to a goodly extent.

The same concerns — on a different scale but for the same reason — affect whatever decision families or individuals make regarding their expenditures given their uncertain perspectives, on a short term, regarding their salaries, jobs, and debt-contracting capability. Under such conditions, overall consumption tends to drop beyond the explanations provided by the high unemployment level, salary reductions, or restricted credit access.

How then can a shock of confidence take place so as to reverse people's fears and lack of hope?

The Fiscal Issue

As is well known, fiscal income is also deteriorating on account of the economic situation. The effect on consumption of the collection of taxes, which make up a considerable portion of fiscal resources — has already been observed.

Unemployment and reduced salaries in turn affect the social contributions from salaries that are another source of funds for the Treasury. Figures provided by FIEL demonstrate that the contribution to the Anses [National Social Security Administration] last August — as compared with August last year when contributions first began to be made to the private retirement system — dropped by 3.1 percent, while the income of the AFJP [Pension and Retirement Fund Managing Companies] remained constant along the same 12 months.

Even though the fiscal deficit continues to be moderate, manageable, and considerably small, it continues to be a factor of distrust that holds back the institutional investors that generate capital flow into national economies. Especially at a moment when there are strong pressures from all sides — including a general social discontent — that raise the level of public expenditure.

The approval of a realistic and balanced budget for 1996 by wide consensus in Congress could help reverse the unfavorable forecasts regarding the evolution of the Argentine economy.

However, it seems that it will be difficult for Congress to reach a consensus.

One of the most controversial subjects will be the Fiscal Pact and the federal income-sharing system [regimen de coparticipacion federal de impuestos] which will be object of a great battle over the distribution of always scarce resources.

As if this were not enough the Fiscal Pact generates opposite political positions within the pro-government bloc, especially regarding the so-called Fund for Restoration of Historic Buildings [Fondo de Reparacion Historica] that allocates a generous amount of resources to Buenos Aires Province which in turn is being used — claim political opponents who also want to benefit from this allocation — by Governor Duhalde for his own vigorous political promotion.

La Plata [capital of Buenos Aires Province] in turn alleges that 43 percent of the nation's population lives in Buenos Aires, which receives only 22 percent of the federal income-sharing fund. The Fund for Restoration contributes with an additional 3 percent that are applied in areas with serious infrastructure deficiencies which, in all, are the most important areas in the country, speaking in electoral terms. This is not negligible, when everybody is looking into 1999.

Argentina-Mexico

Capital market investors have not totally accepted the assertion that "Argentina is not Mexico" at a moment when the Mexican exchange rate is again quivering. This makes the Bank of Quilmes Economic

Department's summary of the consequences of the Tequila effect — both here and there — interesting.

Bolivia

Article Views 'Failed' Administration Policies

PY0711170095 Santa Cruz EL MUNDO in Spanish 28 Oct 95 p A22

[Article by Jose Arturo Cardenas]

[FBIS Translated Text] La Paz, 27 Nov (Fides News Agency) — The Gonzalo Sanchez de Lozada administration has sunk to the bottom after only 27 months ruling the country. Sanchez de Lozada's image is badly weakened and deteriorated following his two failed states of siege, the lack of clarity of the capitalization program, the alleged official coverup in the investigation into the export of 4.1 tonnes of drug, and a stumbling economic situation.

Ever since it took over power, the coalition MNR-MRTKL-UCS-MBL [Nationalist Revolutionary Movement-Tupac Katari Revolutionary Movement of Liberation-Solidarity Civic Union-Free Bolivia Movement] has given indications of contradictions, disorder, and confusion. No one in the MNR has said anything publicly, but there is a behind-the-curtains whisper of annoyance and criticism toward those around government house.

The administration programs Popular Participation, Education Reform, Capitalization, and Executive Branch Reform have been harshly questioned. Only the Popular Participation program has survived the wave of criticism.

Very few people remember the MNR's comfortable electoral victory in 1993, where the party obtained 34 percent of the votes thanks to its resounding electoral program called "Plan for All." People remember this plan only for what it did not do.

Sanchez de Lozada has become one of the few presidents who has imposed two consecutive states of siege to forcefully calm down social and union unrests. The two measures together lasted 180 days and went from 18 April until 15 October.

At the beginning of the imposition of the state of siege the government argued that "these 90 days" will serve to negotiate with unions, to seek agreements, and to overcome all types of conflicts. But at the end of six months oil workers, teachers, coca growers, university students, and other groups still have the same problems and demands and have decided to resume their mobilizations.

On 26 October, the Bolivian Labor Federation called on labor forces to stage marches and demonstrations. Violent disturbances shook Cochabamba and the government announced the beginning of the forced eradication of coca plantations in the conflict-ridden Chapare region.

The government has not ruled out the possibility of imposing a third state of siege, but the measure will have constitutional problems and will be the most clear admission that the government has failed as negotiator.

The administration seems unable to convince people of the need to capitalize the five largest state companies. The government success in attracting $740 million for the capitalization of ENDE [National Electricity Enterprise] and ENTEL [National Telecommunications Enterprise] has been tarnished by the barely $40 million obtained for Lloyd Aereo Boliviano and the reports that not all concession contracts between the Bolivian state and multinational companies have been made public.

In the case of YPFB [Bolivian Government Oil Deposits] the forecast of legendary MNR leader Victor Paz Estenssoro will apparently be fulfilled: It will be a great political battle. So far the opposition parties Nationalist Democratic Action and Conscience of the Fatherland have become the harshest critics of the idea to sell 50 percent of this company's shares.

Both political parties have said that the process lacks clarity. Besides, no one has seen the draft bill of the Hydrocarbons Law, except for a small circle of palace officials and foreign investors. Opposition parties have also pointed out that it is not clear how and with what the government will replace YPFB contributions to the treasury, which now amount to 40 percent of all treasury revenues.

The case of the cocaine cargo seized in Lima has undoubtedly become the greatest headache for the Sanchez de Lozada administration, the MNR, and its allies. A wave of bad news has hit the government since the seizure of 4,173 kg of cocaine in Lima, Peru, and the capture of the clan of Luis Amado Pacheco, alias "Barbas Chocas."

Everything indicates that the government "has something to do" with the affair. Besides, it has shown signs that it does not want total clarification of the case, despite the official announcements that it does, indeed, want to know the entire truth. Minister of Government Carlos Sanchez Berzain and the FELCN [Special Antinarcotics Forces] have become the target of fierce attacks and criticism.

On top of the drug plane case, repented drug trafficker Miguel Angel Villavicencio, in what appears to be a strange coincidence, appeared in Miami accusing the MNR and MNR leader Victor Paz Estenssoro of having received drug trafficking funds and contributions.

People have felt the 50 percent bread price increase in their pockets. The administration has argued that the increase was due to factors affecting the international wheat market, but the population, which feels the effect directly, has blamed the current administration for the problem.

Additional Problems

On top of the previous problems, the La Paz influential conservative newspaper LA RAZON, in an unusual move, on 27 October assumed an institutional position in the drug plane case and the congressional investigations on the affair. The newspaper pointed out in an editorial that something unusual is happening and warned that democracy is at risk. The daily also denounced that the Ministry of Government has "infiltrated" the newspaper and that the government knows the information they handle before they are published.

The same attitude has now been assumed by other two newspapers, which seems to indicate that they have decided not to shut up. Newspapers' front page headlines follow an institutional line and in most cases this fact is not by chance.

The Catholic newspaper PRESENCIA disseminated reports saying that the Brazilian airline VASP, which purchased 50 percent of the shares of Lloyd Aereo Boliviano, has an obscure background. The daily PRIMERA PLANA for various months already has maintained a critical position against pension funds' operation in other countries. The idea is being proposed for implementation in Bolivia.

All these elements paint a desolate picture for the government. If the government does not rectify its attitudes its image could fall into a deep well without way out, something that could have grave consequences for the country in the future.

Brazil

Provisional Measure on Bank Mergers Modified

PY0811141795 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 7 Nov 95

[Report by correspondent Jorge Banburger]

[FBIS Translated Text] The government today modified Article 3 of the Provisional Measure establishing the rules for bank mergers. DIARIO OFICIAL DA UNIAO today published the modification to the article restricting the rights of minority shareholders who disagree with the merging or incorporation process. According to Central Bank attorney Jose Coelho Ferreira, the change is meant to prevent unnecessary hindrances or delays. He explained to reporter Anselmo Rodriguez that the government simply wants to create appropriate condition for mergers among financial institutions and to keep the financial system operating. Coelho said that the program of encouraging restructurings and of strengthening the national financial system allows negotiation freedom for the market. No one is forced to buy and no one is forced to sell, he said.

Cardoso Asks Senators To Speed Up Approval of Sivam

PY0711143995 Sao Paulo FOLHA DE SAO PAULO in Portuguese 3 Nov 95 Section 1 p 7

[FBIS Translated Text] President Fernando Henrique Cardoso asked Senator Gilberto Miranda (PMDB-AM) [Brazilian Democratic Movement Party-Amazonas] on 1 November to speed up the process for approving the Sivam (Amazon Region Surveillance System] project. Miranda is rapporteur for the government's search for Congressional authorization to implement Sivam.

The senator said he refused to comply with the president's request. He said: "I told the president that I will not be hurried. If the government is in a hurry, it should send its ministers to explain the project to the CAE (Economic Affairs Committee)."

Miranda told President Cardoso he will only decide on the issue after his visit to Russia, the Ukraine, and Australia, after listening to all the ministers involved in the project, and after analyzing the 500 kg of secret documents which were sent to him on 30 October by the Aeronautics Ministry.

The senator will leave for Russia on 7 November, where he will learn about the Russian surveillance system. On 12 November, he will be in the Ukraine and on 24 November in Australia.

Miranda wants to know if the equipment the government wants to purchase from the U.S. Raytheon company is the most adequate for the Amazon Region and if it is not old-fashioned or too expensive compared to what is used in other countries.

The senator told President Cardoso about the trip he took to the United States to learn about surveillance systems there. Miranda visited the Pentagon/Defense Ministry, the Air Base in Virginia [not further specified], and the plant of the Raytheon company, which won the Sivam bidding.

The senator, who is also the CAE president, said: "This is a $1.3 billion project. We cannot just write a blank check."

Since 30 October six security men have been watching — 24 hours a day — the six metal containers with all the documents on the Sivam project, which were sealed by the Aeronautics Ministry. On 7 November, engineers will begin to analyze the documents.

Among these papers are all the offers by the 11 companies that participated in the bidding.

Bahia Government Seeks Foreign Investment in Mining

PY0711163695 Sao Paulo AGENCIA ESTADO in Portuguese 2321 GMT 6 Nov 95

[Report by Biaggio Talento]

[FBIS Translated Text] Salvador, 6 Nov (AE) — Taking advantage of the greater opening to foreign capital approved recently by the Brazilian Congress, the Bahia administration today publicly called for bids for research and prospecting for gold and other minerals in a 36,000 hectare semiarid region of the state. Interested companies must send their proposals to the Bahia Mining Research Company (CBPM) by 21 December, noting the type of research to to discover and economically exploit new basic mineral mines in Bahia.

Bahia Governor Paulo Souto (PFL) [Liberal Front Party] today announced the opening of the tender process during an international symposium on mining in Salvador. Souto said: "The economic changes in Brazil will pave the way for large foreign investments. Bahia State encourages such investments." He added that there is a great potential in Bahia for metals like gold. He noted that the CBPM and the Geology and Mineral Research Superintendency have implemented a prospecting effort to survey those regions that offer good chances of being exploited. He added: "That effort should make a significant difference in such a competitive market as mining."

Souto reported that, thanks to the research effort, mining production — which played a minor role in the Bahia State economy in the 1970's— has become one of the most promising factors for development, accounting for revenues of $1 billion. Souto added: "The constitutional changes have paved the way for mining to become, as of next year, one of the major sectors of the Brazilian economy." Souto believes Bahia has a head start in seeking foreign investments because it has detailed information on the resources in its subsoil such as gold, chromite, magnesite, titanium, vanadium, phosphate, and others.

During this first stage, the tenders will focus on an area in the greenstone belt of the Tucurui River, which at present produces six tonnes of gold annually. This stage will include the underground gold reserves of the Maria Preta Mine, in the municipal district of Santa Luz, where more than 20 sites for prospective gold mines have been allocated. Later, bids will be called for the regions of Brumado, Contendas do Sincora, and Riacho do Santana.

Interested companies must submit the documents required by the Law on Biddings, and establish the rate of royalties it proposes to pay on its gross income to the CBPM, in case a mine is set up (the minimum rate has been set at 2.5 percent). One requirement is that a minimum of 1 million reals, R, in investments be made during the first year of research.

Assuming positive results are achieved, the Bahia administration expects that in subsequent years research investments will increase to R2 million or R3 million. Investments to set up a mine may amount to between R200 and R300 million.

The winning bidder will sign a three-year lease contract with the CBPM, by posting a R500,000 guarantee. At the end of the period, if the lease is implemented, the lessee will pay $1 million more for setting up the mine.

Central Bank President Views Economy, Bank Mergers

PY0711145695 Rio de Janeiro JORNAL DO BRASIL in Portuguese 1 Nov 95 Business and Finances Section p 12

["Highlights of interview" with Central Bank President Gustavo Loyola by Cristiano Romero and Gustavo Freire; date and place not given]

[FBIS Translated Text]

Mergers

"In the process of bank mergers, some assets (properties) are sometimes doubled. We have to give the process some time. There may be exaggerations in this process, this is why the banks must be given time to fit in. Some mandatory deposits may have to be readjusted. We have also thought about establishing a National Monetary Council credit line to encourage the sale of assets. All in all, we want to establish a transparent system of incentives."

Credit Line

"The most important thing in this case is not the rate. It is the payment term. The fact is that in Brazil investment made at too short a term can force us to ensure a credit line with longer payment terms in order to finance purchases. This credit line would be financed with part of the mandatory deposits collected by the

BC. If a certain bank wants to sell a building it no longer needs, it can receive the money charged for the building from the BC in order to be able to finance the property to the buyer. Why should the sale of assets be linked to merging? Because, whenever banks merge, they normally begin to sell assets."

Banking Crisis

"I believe there is no risk of a banking crisis and we are not studying these measures because there is the possibility of a banking crisis. We cannot act like those who only purchase a tomb at the cemetery the day they are about to die. I believe that the Economico Bank problem was an isolated case. It is easier, however, to modify rules and laws when difficulties resulting from a recent problem are still fresh in our minds. This is what we are trying to do."

Mexico

"Markets are very much interlocked. Any bellyache in Mexico, for example, has echoes in the Brazilian and Argentine markets, as occurred last week. This problem, however, did not change the course of the economy. As the course was not changed, the Americans agreed to refinance the overdue payment for three more months. The Mexican situation is such: The country is going through a great adjustment process and it is natural for such a thing not to occur in a linear way. There will be days with good news and days with bad news within the natural process of conducting adjustments in a country."

Confusing Rumors

"There has been all sorts of news. Old news that have been renewed and news about certain institutions that no one knew anything about. Speculators (those who bet in a market drop) were the ones who probably spread these rumors (on 26 October) and, as a result, were able to profit over the buyers."

Interests

"We will continue sailing along our old and good trajectory toward the goal of reducing interests. The interest rates we announced in the opening process started last November were lower than the market expected. We will continue with this process, including to prevent stop-and-go [three preceding words in English] policies from being implemented: If we lower the interest rates too much, we then have to go back to the old levels."

Difference

"The spread [preceding word in English] (which is the difference between the interests paid to savings account holders and those charged over loans) is high. Part of the problem is a result of the mandatory deposit policy itself. Another part of it is a result of the increasing risk perceived by the banking system. Within this gradual process we are talking about the amount that the mandatory deposit is being reduced."

Foreign Capital

"We have already adopted some measures in August, which have made the admittance of resources more expensive. They at least made these admittances more selective and sought to transform them into long-term investments. For the time being, these measures seem to be sufficiently good to prevent an undesirable admittance of foreign resources."

Money Laundering

"Whenever we have the chance to improve instruments the country currently has to deal with money laundering and tax evasion, we will do it, be it at the request of the Federal Revenue, of the Justice Ministry, or the BC. If I am asked whether the mechanism of the CC5 (accounts of nonresidents which are used for the transference of dollars) can be improved, the answer will be yes. We have been permanently warning that we can't confuse the efforts to eliminate the criminal use of the CC5 with the need a country such as today's Brazil has of having a flow of resources, of having a free flow of exchange between the national economy and that of foreign countries. First of all, the elimination of the CC5 does not solve the problem of speculators and of drug traffickers, because they can find another way of doing it. Second, if we want to ensure that the country will continue to move toward a deregulated exchange market, the CC5 will end up by having to be replaced by some other mechanism, the CC6 or something else that may allow these changes."

Tax To Be Charged on Stockmarket Operations

"I think the fear the market has of seeing taxes being collected on foreign investments made in stockmarkets is very legitimate. I also believe that we must be always on the alert against the shifting of stockmarket investments. This phenomenon has occurred in Mexico and Chile, for example. In Chile, there are great investors, but the stockmarket operations are not conducted in Chile. This can occur if too many difficulties are created for this sort of operation. We will end up by having a future market for the real in the Chicago stock market. Nevertheless, if we do not levy any tax in this sort of operation, particularly if the government levies taxes on operations conducted by Brazilians and exempts operations conducted by foreigners from paying taxes, many distortions will be created. Nowadays, for example, lots of people send money abroad and invest here as if they were foreigners."

Privatization Fund

"The idea is to make the privatization revenue available beforehand. It is interesting exactly because it makes the resources available beforehand. This, however, cannot be seen as a way of postponing privatizations. When the fund is constituted, a term for the privatization process will be clearly established. This has to be done because, as soon as the need ends, the plans to continue implementing the privatization program will be forgotten. One of the solutions to reduce the cost of the debt is to establish this fund."

Cooling Off of the Economy

"There are really some indications that the level of orders for industrial products decreased in October. I believe this Christmas will be good, better than the 1993 one, but it will not be as good as last year's. We have adopted some measures and had to give them time to become ripe. We did not adopt them because of Christmas. The amount of sales is expected to increase at this time of the year, when there is also more supply. So, there is no bottleneck."

Objection to OAS Supervision on Human Rights Viewed

PY0611133895 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Oct 95 p A4

[Article from the "Emphasis" column by Elio Gaspari: "The Diplomat and the Hooded Professor"]

[FBIS Translated Text] It is quite common to see governments say one thing at international forums and do another thing at home. It is quite rare, however, to see them give an example like the one President Fernando Henrique Cardoso and Itamaraty have just offered the world.

On 23 October, the president addressed the UN General Assembly and mentioned the countries whose populations "are still victims of violence and disrespect for human rights." He expressed his hope that "they can find in the United Nations the symbol of hope, and that these unacceptable situations will meet their end."

That same day, the head of Itamaraty's Department of Human Rights, reflecting Foreign Minister Luis Felipe Lampreia's policy, announced that the government does not plan to submit itself to supervision by the OAS's Inter-American Court of Human Rights. This is Itamaraty's decision, and it will be up to the Council for the Defense of Human Rights to decide in December whether Brazil will recognize the authority of the Inter-American Court. It is doubtful, however, whether this position will prevail.

The Foreign Ministry's argument is simple: It does not plan to submit to the Inter-American Court rulings because the government would frequently be found guilty. It is due to this same reason that drug trafficker Ue does not come down from the Borel Hill slum to discuss his case with the Rio de Janeiro police.

The only difference between Lampreia's Itamaraty and the Borel drug traffickers is the sophistication that power grants to political reasoning and rationale. The head of the Human Rights Deparment explained the Foreign Ministry's behavior:

Unless we change the Brazilian laws first, it would be like shooting ourselves in the foot. Our courts are too slow in punishing criminals, and the federal administration will be held responsible for crimes that are under the jurisdiction of the state governments.

The Itamaraty member said that human rights violation cases cannot be tried by the OAS court because the Brazilian laws must be modified. For a long time, the government has been attributing all the national ailments to legal shortcomings. Nothing is done to solve the national problems because the national laws are bad and, as the laws are bad, nothing is done. The Military Police of Rondonia State killed 11 miserable people at Corumbiara, the so-called Carandiru Marshal (former Sao Paulo Governor Luiz Antonio Fleury Filho) presided over the execution of 111 prisoners, the Rio de Janeiro police murdered 23 people at Vigario Geral — and Itamaraty attributes all these problems to the laws. That is absolutely not the case. The real problem is called disrespect for human rights. If the courts acquit the Carandiru murderers, and if Itamaraty does not want the case to be tried by the OAS courts, it is because all this is part of a situation of disrespect for citizens and respect for criminals. The Military Police agent who pulled the trigger at Carandiru had reason to suspect that he would be protected by Fleury. Fleury had reason to believe the murderers would be acquitted. And everyone else now has reason to expect Foreign Minister Lampreia to protect them from being tried by the OAS Court. This is the scheme, and it only functions if everyone acts in accordance with the manual of a society that does not respect the rights of a citizen. As both the ambassador and the Military Police agent play the same game, we should not allow the OAS to make any pronunciation about what happened at Carandiru.

The argument that "the federal government will be held responsible for crimes that are under the jurisdicion of the state governments" is a real marvel. If this is so, where are the federal government's resonsibilities? In the great duchy of Tuscany? In the serene republic of Venice? President Fernando Henrique Cardoso's Brazil would look extremely well in the criminal category created by Itamaraty. There would be a First World president, who speaks many languages and is extremely cultivated, asking in New York that these "unacceptable situations meet their end." As no one is tortured at Planalto Palace, no court should try the cases of human rights violations that have been occurring in Brazil. Then, governors like the Carandiru Marshal would be transferred to the jurisdicion of the WHO list of psychiatric statistics cases. Ultimately, the mayors would be included in the Interpol organization chart. Thus, the work to modernize the country, in the manner desired by the Brazilian Social Democracy Party, would be completed. It would be a fantastic country, with the central administration in New York, the wise men in Brasilia, and the citizens in hell. When all this would have taken place, only a small amount of coordination would be needed to make everything function perfectly well. The only thing still to be done would be to prevent Itamaraty from saying one thing at Pindorama and El Rey and something different at the United Nations. All that has been said here may seem a simple matter of rhetoric, but Professor Fernando Henrique Cardoso must remember very well the day a hood was slipped over his head and he was taken to the Internal Operations Department-Internal Defense Operations Center. At the time, Itamaraty denied that there were cases of torture in the country and the government refused to allow the OAS Human Rights Committee to investigate the charges.

Privatization Program Results Seen

96SM0011A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 95 p B4

[Article by Denise Neumann, Claudia Schuffner, and Jo Galazi: "Mergers Stir Petrochemical Firms"; paragraphs in italics as published]

[FBIS Translated Text] *In Brazil, the companies' billings are much lower than those of their world competitors.*

Over 85 percent of the Brazilian petrochemical industry has already been privatized, but there is no prospect of a lull. An agitated process of mergers, acquisitions, and takeovers will begin when the privatization process is concluded in January 1996, according to predictions by analysts and businessmen. The expected growth—supply needs to grow twice as fast as the growth in the national economy—and competition with worldwide giants is forcing domestic producers to concentrate their activities.

A study by the Tecnica Market and Business Capital Consultants firm shows that the domestic petrochemical company is a "single-product" firm and has an average annual billing of from $100 million to $200 million, compared to average billings of from $3 billion to $30 billion by international firms.

That characteristic prevents domestic firms from achieving the proper business scale, says Eduardo Rath Fingeerl, head of the Department of Petrochemical Operations at the BNDES [National Bank for Economic and Social Development]. "When the privatization process ends, a very strong process of mergers in the sector will begin for the purpose of achieving an international scale," he says.

Concentration

Carlos Mariani, president of Abiquim (Brazilian Association of the Chemical Industry), explains that the petrochemical industry in Brazil is now in the hands of from six to eight large private groups, the biggest of which is Odebrecht. Those groups are still split up into about 30 companies. In many cases, two industry leaders such as Odebrecht and Suzano or even Mariani own shares in the same firm. In Mariani's opinion, concentrations and mergers will have to occur, "but not forcibly."

Sergio Noburu Missima, an investment researcher at the Itamaraty Bank, notes that concentration will have to take place through an exchange of shares. "It will be slow," he says, pointing out that that is the worldwide trend. Last March the Dutch Shell group and Italy's Montedison became partners.

The road to concentration may lead to a "Super Copene" [Northeastern Petrochemical Company] through the merger of Copene and the 19 second-generation firms in the Camacari pole. "No one knows when those exchanges of shares will occur or even what form they will take, but that is the expectation for this sector," says Missima. Concentration will not mean a price war, explains Toshinabu Oshinobira, director of Trevisan Consultants. "Prices are regulated by the international market," he says.

The domestic petrochemical industry was set up in the 1970's under a three-pronged system involving the state (Petroquisa [Petrobras Chemical Corporation]) plus domestic and multinational capital. The state is selling its interest in 27 firms, and the program has already brought in $2.3 billion, making it possible to transfer $710 million in debt.

Marked Cards

The privatization of petrochemicals was like a game played with marked cards. Every private partner exercised his preferential right and acquired Petroquisa's shares in his own firm.

Before the mergers occur, sale of the Economic Bank's petrochemical shares may cause a frenzy in the market and an obstinate battle. The Economic Bank's interventor has already announced his intention to put its shares on sale not under the preferential system favoring the other partners but by calling for bids in Brazil and abroad. "That will provide an opportunity for new groupings," says Mariani.

Privatization of Petrochemical Industry

According to the BNDES, there were five petrochemical firms controlled by the state, and they have all been privatized. Of the firms in which the state held a minority interest, 13 have been privatized and nine remain to be sold. Privatization to date has yielded $2.3 billion, with $710 million in debt being transferred. Further privatizations should bring in $259 million (the minimum price of the shares being offered in six of the nine firms remaining to be sold).

Recovery in Sector's Billing

Investments totaling $3 billion through the year 2000 are either planned or under way in the petrochemical industry, according to Carlos Mariani, president of Abiquim. Those amounts do not include funds that may be spent in the process of industrial concentration that is likely to agitate the industry within the next few years. The principal investments being planned call for doubling the size of Copesul [Southern Petrochemical Company] (in the Southern Pole) and setting up the Rio de Janeiro Pole.

"If the Brazilian economy grows by five percent per year, the industry will have to grow by 10 percent," Mariani explains. There are potential markets in the country that are still underdeveloped. From auto parts and plastic packaging to synthetic yarn, products based on petrochemicals are very common in popular goods. "Plastics are being increasingly used in various industries," Toshinabu Oshinobira of Trevisan Consultants points out.

The per capita consumption of plastics in Brazil is half what it is in Chile and 10 times less than in Germany. In the case of synthetic yarn, the figure is about 40 percent below the worldwide average.

After three years of slow sales and depressed prices, the Brazilian chemical industry experienced a recovery in production and prices beginning with the Real Plan. During the first half of this year, the industry billed $6.6 billion, or 32 percent more than during the same period last year. Production was up 4.7 percent. The industry is operating almost at full capacity: 85 percent in the case of basic organic products and 96 percent in the case of elastomers.

Based on the six-month results for 14 firms in the industry, Tecnica, a firm that analyzes markets, has confirmed that good performance. Billing was up 33.45 percent during the first half of this year in comparison with the same period last year, while profits were up 270 percent.

Steel Firms To Invest 7 Billion Reals by 1999

Despite the decline in domestic sales, this industry wants to achieve an annual production of 4 million metric tons.

Rio de Janeiro

The iron and steel industry is a good thermometer of the economy and makes it possible to measure the increase in the country's industrial production. After all, this is an industry producing 28 million metric tons of steel per year and ranking eighth in the world. And it has customers in key sectors such as the automotive industry, the auto parts industry, and the durable goods industry, including stoves and refrigerators. When those industries are growing, that is a sign that the economy is also expanding, a situation reflected in more orders for the iron and steel industry.

For that reason, plans by the steel companies to invest $7 billion by 1999 may be seen as a sign that all is going well for the industry. It is a happy illusion, as explained by Marco Polo de Mello Lopes, executive director of the Brazilian Iron and Steel Institute (IBS). "We are investing in order to survive and modernize, so by the end of 1999, production capacity will have increased by only 4 million metric tons."

The IBS director explains that circumstances are unfavorable not only for flat steel but also for shapes and special steels due to a drop in domestic sales and an increase in exports—a development not being celebrated by the industry—and competition with foreign firms.

That, incidentally, is a sore spot with the industry. Its managers view with distrust the protective measures adopted in favor of the automotive industry, noting that the tariff protection for steel products averages two percent.

Investment

Even so, the steel firms invested $800 million in 1994 and will probably end this year with another $1.3 billion. The decision has been made to invest in modernization, the environment, an improved product mix, and technological adaptation.

Acesita [Itabira Special Steel Company] alone plans to invest $415 million through 1997, after which it will be able to produce 130,000 metric tons of stainless steel in addition to the 160,000 metric tons being produced at present. Another $25 million is being invested in expansion of the Sa Carvalho hydroelectric plant, which is controlled by Acesita and will supply 55 percent of the energy consumed by that firm.

The events at Acesita this year make it an exemplary case. Privatized in October 1992, the firm saw its net profit leap from $30 million in 1993 to $79 million last year. As of the end of August this year, and even allowing for its heavy investments, the firm had made a profit of $36.9 million.

Acesita's director of finance and market relations, Wander Jeveaux, reports that gross billing for this year as a whole is expected to total $850 million, or 42.5 percent more than in 1993, when it totaled $592 million, but slightly less than last year's figure. "The year 1994 was atypical; we earned money on foreign exchange and paid no income tax because of a loss on the books," the Acesita director explains.

Steel Privatization Yields $8.1 Billion

According to the BNDES, the proceeds from privatization of the steel firms were as follows ("proceeds from sale" refers to sales to employees and the public, and "transferred debt" means debt assumed by the buyers; all amounts are in millions of dollars):

1. Usiminas [Minas Gerais Iron and Steel Mills, Inc.]: proceeds from sale: 1,941.2; transferred debt: 369.1; total proceeds from privatization: 2,310.3.

2. CSN [National Iron and Steel Company]: proceeds from sale: 1,495.3; transferred debt: 532.9; total proceeds from privatization: 2,028.2.

3. Acominas [Minas Gerais Steel Company]: proceeds from sale: 598.5; transferred debt: 121.9; total proceeds from privatization: 720.4.

4. Acesita: proceeds from sale: 465.4; transferred debt: 232.2; total proceeds from privatization: 697.6.

5. Cosipa [Sao Paulo Iron and Steel Company]: proceeds from sale: 585.7; transferred debt: 884.2; total proceeds from privatization: 1,469.9.

6. CST [Tubarao Iron and Steel Company]: proceeds from sale: 353.6; transferred debt: 483.6; total proceeds from privatization: 837.2.

7. Piratini: proceeds from sale: 106.6; transferred debt: 2.4; total proceeds from privatization: 109.0.

8. Cosinor [Northeastern Iron and Steel Company]: proceeds from sale: 15.0; transferred debt: 0.0; total proceeds from privatization: 15.0.

Total for the sector: proceeds from sale: 5,561.3; transferred debt: 2,626.3; total proceeds from privatization: 8,187.6.

Assembly Plants To Boost Business

Acesita's financial director, Wander Jeveaux, believes that signs of recovery in the automotive and auto parts industry in 1996 should have an effect on the steel industry at the beginning of the year. "The assembly plants have not yet introduced their 1996 models, and imports of durable goods will probably decline, thus increasing sales by domestic manufacturers."

Meanwhile, the unanimous opinion is that sales on the domestic market are less than expected. Marco Polo de Mello Lopes points out that in addition to the reduction in purchases by the assembly plants and the auto parts sector, the industry is suffering from stagnation in the building industry and shipbuilding.

In Lopes' opinion, there will be no lasting solution until the fiscal, tax, and administrative reforms are approved. "I am worried by the lack of priority with regard principally to the fiscal and tax reforms."

Wages up Five Percent at Acesita

After being privatized, firms in this industry have transformed losses into profits.

Rio de Janeiro

Far removed from the protection of the state, the iron and steel firms are doing well. While they are celebrating their profits and planning investments, the BNDES, which manages the privatization program that sold the state's interest in those firms, feels that it has gotten out of a bad situation.

"The sector was generating big losses for the Treasury," says Fernando Perrone, superintendent of the BNDES privatization section. But he says that, on the other hand, the state was a terrible owner and could not capitalize the firms in question, a fact that prevented them from modernizing. By selling its interest in the sector, the Brazilian Government freed itself of $2.62 billion in debt.

The union received $5.5 billion from the sale. It received a good share of that in the form of domestic and foreign debt instruments, but the result is considered positive overall. "At least it got rid of the losses," Perrone says.

When it was privatized in 1992, the Tubarao Iron and Steel Company (CST) was accumulating a loss of $144 million. One year later, it was generating a net profit of $33 million.

A study commissioned by the BNDES shows that wages have increased and industrial accidents have declined. At the Piratini High-Grade Steel Company, wages are up 59 percent, and at the CST they are up 21 percent.

At Acesita, industrial accidents have declined by 40 percent. At the CST, 115 accidents occurred in 1991, but that figure was down to 14 during the first half of 1994. Following privatization, Usiminas, Acominas, and Acesita distributed $9 million to their employee shareholders during the two-year period 1992-93. Usiminas distributed the most: $6 million during that two-year period.

Newsprint Consumption Increasing 8.7 Percent Per Year

A study by the BNDES shows that the domestic paper industry is supplying 46 percent of the demand for newsprint.

Rio de Janeiro

Newsprint consumption in Brazil has risen by an average of 8.7 percent annually since 1984. Growth in that industry came to three percent, according to a study by the BNDES. By the end of this decade, newsprint consumption will probably reach 790,000 metric tons, or 220,000 more than in 1994, according to the study.

Since our country still produces little of that type of paper—46 percent of the total consumed in 1994—spending on imports will probably total $300 million. According to the BNDES study, domestic production is reaching its limit, which is 270,000 metric tons. The study, which was coordinated by Angela Regina Pires Macedo, sectoral manager at the BNDES, and expert Elizabeth Tojal Leite, points out that paper consumption is related to improvements in income and population growth.

In the specific case of newsprint, the greatest growth in consumption occurred in 1986 under the Cruzado Plan. From 1993 to 1994, the increase was 33 percent for a total of 566,000 metric tons, while imports set a historical record at 319,000 metric tons.

Worldwide consumption of newsprint is being influenced by the recovery in economic activity—in the United States, for example, which accounts for 35 percent of the total demand. Worldwide production in 1994 was 33.8 million [metric tons], but consumption totaled 34 million, resulting in a market imbalance that caused prices to rise. In the United States, for example, prices rose by 70 percent between the first and third quarters of 1994. The increase in Germany was 35 percent. The shortage is being felt mainly in Europe. Canadian producers, who control 26 percent of the world market, prefer to sell to the United States because of the geographic proximity, and now they are seeking to increase their activity in China, a market that is expanding because of the increase in literacy.

Plan To Change Privatization Process Seen

96SM0011D Sao Paulo GAZETA MERCANTIL in Portuguese 17 Oct 95 p B2

[Article by Maria Christina Carvalho: "Fear of Political Objective"]

[FBIS Translated Text] Sao Paulo—The Ministry of Planning's plan to establish a fund of shares in firms due for privatization as a means of collecting money for the National Privatization Program (PND) in advance and stretching out the domestic debt has been received with a mixture of curiosity and distrust by the financial market and specialists in the area.

There is the obvious fear that the plan is motivated by political objectives. Collecting privatization proceeds in advance means that the benefits of a lower domestic debt and the resulting lower interest rates would be felt while this administration is still in office, with no danger of their being postponed until the next administration. The reason for this is that the Brazilian privatization model is naturally slow-moving because of the transparency of the process and the need for a prior resolution of legal obstacles.

David Moreira, who once headed the SEST [Special Secretariat for State Enterprise] and is now with the Consemp consulting firm, says that "speed in the generation of cash must not overshadow the concern for the quality of the process. The favorable impact of privatization is not limited to the generation of cash and its usefulness in reducing the debt. The greatest impact is the change in the structure of the state."

In his opinion, the shares that might be made part of the fund are those in firms that are certain to be privatized within a foreseeable period of time. Otherwise there will be difficulties in setting the price of shares in the fund. If those conditions are not met, the fund is likely to be undervalued.

The expert believes that the fund may come into existence as early as next year—as the Ministry of Planning is hoping—with a portfolio consisting of shares in the Rio Doce Valley Company, Eletrobras [Brazilian

Electric Power Company, Inc.]—if the BNDES [National Bank for Economic and Social Development] announces that sector's privatization model by the end of the year—and even Telebras [Brazilian Telecommunications, Inc.] if the Ministry of Telecommunications sends Congress its proposal for privatizing that area.

Aldo Narcisi, president of the Sao Paulo Development Company (CPD), says that "any idea making it possible to use the state's assets to pay off the debts is a good one. What is not possible is for all of society to suffer because the state needs to keep on issuing more and more securities, a situation that keeps interest rates high."

Chile

Reportage on Reaction to Human Rights Proposal

President Upholds Amended Proposal

PY0711173395 Santiago EL MERCURIO in Spanish 6 Nov 95 p A1

[FBIS Translated Text] Yesterday, President Eduardo Frei asserted that his human rights proposal does not entail an Expiration Law [Ley de Punto Final] nor is it an interpretation of the 1978 Amnesty Law. Therefore, he said, nobody should feel hurt or threatened.

The chief of state's message was interpreted as an appeal to the Socialist Party [PS], whose leaders, although they have admitted that some progress has been made, have reiterated that they will not approve the proposal drafted with the National Renewal Party [RN] if the terms that were announced on 4 November are not modified. Anyhow, they have said they are willing to participate in the debate in the Senate where they will propose the amendments they may deem convenient.

In the meantime, the Party for Democracy, PPD, through a declaration issued by its chairman, Jorge Schaulsohn, ratified its full support for President Frei's proposal, dismissing the objections made by some sectors of this party. It also announced the agreement reached between the government, the Coalition of Parties for Democracy [CPPD], and RN to not hold a vote on 7 November on the changes submitted by the executive branch in order to wait for the declaration to be issued by the RN National Council during a meeting in Temuco next weekend.

Christian Democratic Party [PDC] Chairman Alejandro Foxley, also referring to the PS' observations, said there can't be any disagreements over the executive branch's new proposal because they are the result of the CPPD's effort to take into account the opposition's proposal. This position is shared by the Radical Socialist Democratic Party [PRSD].

Although President Frei does not regard these amendments as a reinterpretation of the Amnesty Law, RN Senator Miguel Otero, the main promoter of this agreement, believes they strengthen the mentioned law by solving problems related to its application and clarifying the situation of the members of the Armed Forces.

Moreover, the Communist Party's [PC] opposition continues unchanged. The PC believes that there are strong signs of a great political rapprochement between the PDC and RN that could result in a future alliance that will exclude the socialists.

The new proposal, that will be submitted to the Senate's Constitution, Legislation, and Justice Committee restricts the jurisdiction of the draft bill, if approved, to the cases of missing people; establishes the appointment of criminal judges especially to hear cases of violation of human rights without establishing a deadline to conclude the corresponding investigations; allows for the reopening of cases temporarily closed only by closest relatives provided there is enough evidence to do so and does not establish requirements for a definite acquittal.

According to President Frei yesterday, this new agreement cannot be regarded as harmful for some sectors because is has, he asserted, solid ethical grounds. "Nobody can feel hurt or threatened. This is not an expiration law and we are not interpreting the Amnesty Law. All it seeks is to determine the whereabouts of the arrested-missing and thus end the pending trials."

Frei, in a statement read at the Merino Benitez airport before leaving for Buenos Aires, added that he was satisfied with the agreement reached regarding human rights, which is in keeping with the spirit of the reconciliation appeal he made in August.

He also recalled that he has submitted to the Senate's Constitution and Legislation Committee his constitutional reforms bill which, in his opinion, represent a decisive step towards consolidating a full democracy.

The chief of state said that the approval of the agreement is now in the hands of the political leaders, the parties, and legislators.

PS Senators Carlos Ominami and Jaime Gazmuri yesterday said they will not approve the agreement between the government and RN regarding human rights unless some basic aspects of President Frei's original proposal are salvaged.

At the same time, they admitted that during the negotiations with RN important progress was made and expressed their optimism regarding the possibility of starting the debate in Congress in order to express their objections to the new proposal.

Gazmuri added that "we cannot sign the project as it stands. Nevertheless, this agreement with the rightist sector allowed certain progress and gives us the possibility to state our disagreements in Congress and for the project to recover the basic aspects included in the original text. If this is not possible, the current proposal will not enjoy our approval in Congress."

The legislators stated that the new proposal includes measures that contradict the basic purposes of Frei's proposal which they agreed with, such as to create mechanisms to speed up the trials involving the arrested-missing and to uncover the truth.

However, Gazmuri praised some aspects of the agreement, particularly the following two: not establish a definite deadline for the definite acquittal of the cases which would eliminate — it was stated — the possibility of an expiration law; and eliminate any interpretation of the Amnesty Law.

PPD Chairman Jorge Schaulsohn yesterday disclosed that on the morning of 7 November, the Constitution, Legislation, and Justice Committee will not vote on the government amendment to the human rights project nor the constitutional amendments bill until the resolution on both subjects by the RN National Council this weekend is learned.

He said that this agreement was reached by the government, the CPPD, and the RN because what is at stake is the materialization of a comprehensive agreement with the approval in Congress by the RN of the human rights as well as the constitutional reform bills.

As for the disagreements that have surfaced within his own party, after secretary general Patricio Hales and bloc leader Octavio Jara objected to the agreement reached regarding human rights, that Schaulsohn endorsed, the PPD chairman ratified the fact that his party supports President Frei's actions and that today the leadership, after learning the text of the initiative, will certainly give it its full support.

Regarding the PS' objections, especially to the fact that the amendment the executive branch will submit does not provide for transferring cases from the military court to a civilian court, Schaulsohn said they share the PS' objections regarding the human rights problem and interpret it as a concession granted in exchange for the approval of the constitutional reforms.

However, he said that the fact that the cases will not be transferred from a military court to a civilian court by no means changes the current situation, that is, he explained, it merely does not worsen it because for a long time now these trials are heard by military courts.

PDC Chairman Alejandro Foxley announced that they will closely follow the voting of the constitutional reforms and human rights bills by the opposition parties because, he said, it is a transcendental initiative for the country that all political sectors must support.

Foxley explained that at this moment there should be no disagreements regarding the proposal, because the CPPD member parties have made a great effort to take into account the opposition's viewpoints in order to revitalize the agreements policy.

Asked about the drawback in the human rights field which, according to some representatives of his party, not transferring the pending trials involving military men to a civilian court represents, Foxley explained that it refers to a democratic debate among legislators that must not be mistaken with the key of the political proposal.

Despite President Frei's comment yesterday that the Amnesty Law will not be reinterpreted, the important thing for RN is that it will be strengthened.

According to RN leaders, in this party's opinion the political effects the new project will have in practice will represent the strengthening of the Amnesty Law, because it solves problems regarding the application of an amnesty and clarifies the situation of the members of the Armed Forces.

This is the case because, in the RN's opinion, the agreement signed last weekend ties the cases of arrested-missing people to the attempt to determine the whereabouts of these people always respecting the spirit of the Amnesty Law. In other words, it subjects the investigations of the causes to the fact that those who may be involved will not be tried nor arrested.

Moreover, the agreement reached puts an end to the constant "parade of military men" through the court to testify. This, according to the opposition party, only creates instability within the armed institution.

The CPPD leftist legislators's approval is necessary for this agreement to be approved. In view of the objections expressed by the socialist sector of the CPPD, RN Senator Miguel Otero asserted that the executive branch has promised that the CPPD member parties will respect the agreement.

In the RN's opinion, this consensus has managed to safeguard the search for the people regarded as arrested-missing, preventing that the proceedings be used for political purposes. Moreover, it materializes the civilian need to eliminate a source of conflict "that has been manipulated."

According to Alberto Espina, for the first time an efficient mechanism is established to guarantee secrecy and protection for the people handling information on the whereabouts of the arrested- missing. He added: "The ethical duty of giving their relatives the hopes of finding their remains and burying them is thus fulfilled."

Anyhow, he added, the information obtained through these means cannot be used to try those who appear responsible, "which causes the effects of an amnesty."

Senator Francisco Javier Errazuriz, leader for the Progressive Center Center Union, voiced his disagreement over the new human rights proposal.

Errazuriz charged Senator Miguel Otero of having compromised a vote in favor of the reforms behind the backs of the senators who must vote on them.

'Solid Ethical Basis' in Bill

PY0711135595 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 6 Nov 95

[FBIS Translated Text] President Eduardo Frei said the bill on human rights is not a second amnesty law but the senators of the Socialist Party said they will not support the bill in Congress.

[Begin recording] [Unidentified reporter] Before leaving for Argentina, President Frei left a clear message regarding the bill.

[Frei] The agreement reached on the bill has a solid ethical basis. No one should feel hurt or threatened, this bill is not a second amnesty law and does not make an interpretation of the current Amnesty Law. The bill's only objective is find the truth about the people who are missing and to conclude the pending judicial cases.

[Reporter] But the bill is not satisfying all the members of the Coalition of Parties For Democracy.

[Jaime Gazmuri, Socialist Party] We believe, as socialists, that we cannot support this bill the way it is written. This is our position.

[Reporter] The National Renewal was a key factor in getting an agreement on the bill.

[Miguel Otero of National Renewal] In this regard, the president made a commitment. Therefore, a clear evaluation was made what would happen if the Socialist Party does not support the bill and whether the commitment would still be maintained.

[Alberto Espina of National Renewal] The bill's objective is to find the remains of the missing but respecting the spirit of the Amnesty Law in the sense that the people who could have been involved in those events will not be tried.

[Reporter] The Communists are the ones with a well-defined opinion.

[Gladys Marin, Communist Party] The government of the Coalition of Parties for Democracy has greatly betrayed the Chilean people.

[Reporter] On the other extreme, the UDI [Independent Democratic Union] left their initial intransigent position.

[Patricio Melero, UDI] We believe this bill is progress in relation to the government's original bill. The bill's merit must now be evaluated.

[Reporter] The Party for Democracy [PPD] supports the bill but it is not fully satisfied with it.

[Jorge Schlausonhn, PPD] The choice is between looking how the Supreme Court resorts to the Amnesty Law to order final acquittals or making an effort for further investigation to try to find out the truth.

[Reporter] In the last few hours the members of the Radical Party decided to support the bill.

[Anselmo Sule, Radical Party] A consensus was reached exclusively on the appointment of special judges who working full time for one year will try to find the remains of the missing and I hope they are successful.

[Reporter] This issue is now in the hands of Congress which will undoubtedly have to debate one of the most sensitive issues of the last 22 years. [end recording]

Politicians Urged To Decide

PY0811025695 Santiago EL MERCURIO in Spanish 4 Nov 95 p A1

[FBIS Translated Excerpt] President Eduardo Frei yesterday urged the country's politicians to adopt a definite position on his national reconciliation proposal.

He said that the country will severely judge political leaders if, after two and a half months of discussions, they do not reach a consensus. He added that all Chileans are expecting concrete results.

Last night, after an intensive round of political consultations, Frei announced that the agreements reached among the government, the coalition, and National Renewal will be consolidated in Congress next week, and that these agreements will be reflected in the instructions the executive branch will submit regarding human rights. He said that these instructions will be extended to the Senate Constitution, Legislation, and Justice Commission, which will meet on Tuesday.

The original government initiative on trials for cases of missing-detainees, as well as the constitutional reforms proposed by the executive branch, are found in that technical-legislative working group. These two matters, together with a third subject — amendment of the Armed Forces' organizational law — represent what was called Frei's proposal, which was submitted for consideration in August.

With regard to negotiations between the government and National Renewal on initial amendments to the Constitution concerning the Constitutional Court and the National Security Council, some changes have been included, following ideas proposed by the group headed by Andres Allamand. To this is added five modifications proposed by National Renewal, but the issue of eliminating the part on designated senators remains, an issue the opposition party would like to treat in 1996.

National Renewal will adopt a decision on Frei's proposal in its next general meeting, to be held on 11 and 12 November in Temuco. On that occasion, the position of openness of the Allamand faction will be confronted with the position of the Doctrinary faction, whose most prominent members are Senators Francisco Prat and Sergio Romero and Deputy Alberto Cardemil.

Last night, President Frei said that if the good spirit observed so far is consolidated, Chile will take a decisive step toward national reconciliation and toward democratic enhancement.

The talks to discuss the instructions the government will send pertaining to the proposal on missing-detainees included several meetings held by Frei and Interior Minister Carlos Figueroa with leaders of the coalition.

Leaders of the Christian Democratic Party, of the Socialist Party, the Party for Democracy, and the Radical Social Democratic Party were received by the president, and the outcome from those meetings indicates that there is overwhelming support for the new initiative.

Socialist Party leader Camilo Escalona said, however, that his party has some objections to the latest proposal on human rights, particularly to the part which refers to the military court jurisdiction.

Today the president will continue with the round of talks, receiving, from 1100, at La Moneda Palace, Senators Miguel Otero — one of the promoters of the new proposal — and Sergio Diez, both from National Renewal; Juan Hamilton, of the Christian Democratic Party, and Anselmo Sule, president of the Radical Socialist Democratic Party. [passage omitted]

At approximately 2100 yesterday, Frei read a brief statement prepared by the political committee, which is comprised of Interior Minister Carlos Figueroa, Defense Minister Edmundo Perez, Presidency Secretary General Genaro Arriagada, and Government Secretary General Jose Joaquin Brunner, with whom he met in the afternoon. The text of the statement is as follows:

"Today I have met with the presidents of the coalition parties and congressmen who have participated in the discussion of the bills on human rights and constitutional amendments, beginning with the proposal on reconciliation and democratic strengthening I submitted in August 1995.

"The interior minister has informed me about the overwhelming support for the human rights proposal, which is the result of the government effort and of the effort of political leaders and congressmen of the coalition and of National Renewal.

"We will consolidate this initiative in the Senate Constitution, Legislation, and Justice Commission, where the agreement pertaining to constitutional amendments will be voted on next week.

"I am sure that if this positive spirit is maintained, we will achieve the approval of the proposals I submitted to the country. If we do so, we will be taking a decisive step toward national reconciliation and toward the establishment of full democracy in Chile, which is the strongest point of my proposal." [passage omitted]

Senator Interviewed on Bill

PY0711214795 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1130 GMT 7 Nov 95

[Interview with National Renewal Senator Miguel Otero, chairman of the Senate's Constitution, Legislature and Justice Committee, by Margot Kahl, for the "Buenos Dias a Todos" program — live]

[FBIS Translated Text] [Kahl] Chileans are currently facing a very serious issue about which all of us, without exception, are very concerned; namely, the human rights issue. This is also an issue regarding which it is very difficult to achieve a consensus.

We would like to discuss this very serious subject with a man who has been summoned by the president to coordinate the achievement of a consensus. He is Senator Miguel Otero, who is also chairman of the Senate's Constitution, Legislature, and Justice Committe. Good morning, Senator.

[Otero] Good morning.

[Kahl] The agreement on the human rights issue achieved by the government and political leaders encompassing the CPPD [Coalition of Parties for Democracy] and RN [National Renewal] was announced last week. Although some [Socialist Party] and UDI [Independent Democratic Union] members have expressed their opposition to various aspects of this agreement, the accord is endorsed by the main opposition party, as well by the other CPPD members.

Senator Otero, we are aware that the Senate committee is scheduled to meet today to discuss this human rights bill. What points included in the original government proposal were not accepted by other political parties?

[Otero] Well, so that people may understand what we are talking about, I would like to explain that this proposal deals with court processes under investigation. These are processes in which an attempt is being made to establish the whereabouts of a missing person, cases in which, after many years of investigations, it has not been possible to establish anything.

This is the basis of the issue: We are dealing with so-called cases of presumed accidents, or the investigation of the whereabouts of missing people.

This draft bill is applicable solely to these processes. This bill is not applicable, therefore, to those processes in which a crime has been ascertained.

The problem we faced was the following: On the one hand, because these are processes under investigation and no crime has been established, they are endless, that is, there is no final ruling and they can be reopened on countless occasions, either for political purposes or to suit military personnel who may not be directly involved in the cases. This can cause serious civilian-military conflicts and serious problems to the persons involved.

On the other hand, it is imperative to locate and determine what has happened to the missing people. Are they dead? If this is so, where are they buried?

There were disparate views regarding these two positions. One of them demanded a full, continuing and permanent investigation aimed at establishing those responsible for these disappearances. The other said: Enough! Let us turn the page. What has happened is part of the past, and there is nothing else to study or investigate.

[Kahl] Which are the specific issues encompassed in the government proposal with which the opposition disagrees?

[Otero] The government proposed three specific points: First, it proposed to change the jurisdiction of the processes and to transfer them from the military courts over to civilian courts. However, the country must be aware that there are more than 100 judges in civilian courts who are handling about 200 suits and that the military courts are only handling 15 cases. An agreement has been achieved on this point: The cases that are currently being handled by civilian courts will continue to be handled by civilian courts, while those handled by the military courts will continue to be handled by military courts.

[Kahl] That was one disparate issue, but a consensus was achieved nevertheless.

[Otero] That was one of the disparate issues. The second conflictive issue concerned the appointment of special judges. The proposal called for all Chilean processes to be centered in Santiago. In order to do this, special judges would be appointed who would be exclusively devoted to these processes for two years.

After studying the background material, and after a report to the Supreme Court, it was established that the head of the Supreme Court would be empowered to appoint one or more criminal judges. This implies that there would be no changes in court jurisdiction. This means that if the Supreme Court head deems it appropriate, he will appoint a special judge in whatever appellate court jurisdiction is handling numerous human rights cases, whenever it deems it suitable.

These are basic points included in the original government bill that today have obviously been excluded from it.

As I have already said, the third point was to transfer the human rights violations cases handled by the military courts to civilian courts. This was not changed.

There are no vanquished or victorious on this issue because there is only one big winner in all this; namely, Chile, the entire country and its future. We believe it is erroneous to present this draft bill as if someone had pressured someone else because otherwise we would have achieved no consensus.

Nevertheless, it is quite obvious that radical groups will be dissatisfied. As for us, we had to give up the enforcement of a law of expiration calling for an end to court processes within 90 days and an end to all investigations.

Moreover, in view of the latest Supeme Court rulings correctly enforcing the Amnesty Law — which have been endorsed by former President Patricio Aylwin; Raul Rettig, chairman of the National Reparation and Reconcilian Board Corporation; Juan Agustin Figueroa, [Radical Party of Chile Political Commission member]; and all university scholars — it is not necessary to specifically include a regulation on amnesty in this draft bill because it is not applicable to specific crimes.

These were the points that were ironed out, allowing us to achieve an overall consensus. What does this overall consensus encompass?

First, I would like to refer to the most important point for all people, namely, to determine the whereabouts of missing detainees. Despite the current legal processes, the current laws, the current suits, and everything that has been done, little has been achieved over the past 20 years in this regard. Virtually nothing has been achieved because no one will supply any information if it means running personal risks or putting their loved ones at risk....

[Kahl, interrupting] In this regard, as this consensus establishes that testimonies will be kept secret and everything resulting from the investigations once the process is concluded will be destroyed, could this be interpreted as....

[Otero, interrupting] That is right....

[Kahl, interrupting] a pseudo law of expiration?

[Otero] No, not at all. I believe all Chileans must be perfectly aware that this principle was unanimously approved in the drug trafficking and terrorist laws.

Let us be perfectly clear about all this. What is our intention? We intend to establish the whereabouts of these people and the location of their remains. No one intends to locate those responsible or punish them. Much time has elapsed since these events have taken place and it would be tantamount to reviving a process which would not be good for the country. All of us agree on this point.

Therefore, today any individual can go to any court in the country, not only that which is handling the case, and submit information that will help court officials locate the missing detainee and his remains. This individual can obviously count on all the safeguards. This is nothing new, and it was enforced in legislation which has yielded positive results in both drug trafficking and terrorist cases.

Moreover, what impact will it have regarding the military trials? In the first place, no military trial will be exploited for political purposes because all court summons will be confidential. Testimonies will not be rendered in court but in a place that has been previously agreed upon by both the court and the summoned individual, to safeguard the latter's privacy.

The names of those summoned to testify will not be disclosed. These individuals will not be subjected to preventive custody, will not be brought to trial, will not be banished, will not be forced to report their place of residence, etc. This means that no process is suspended, but the minimum human rights of all those individuals summoned to testify will be safeguarded because they are entitled to privacy, and should be protected from public mockery and undue pressures.

[Kahl] All Chileans have read and heard a lot on the news about the consensus, and we are interested in achieving a consensus. Nevertheless, as you have said, there are those who uphold radical positions that may impair an agreement. Does the fact that some cases involving human rights violations are not transferred from military courts to civilian court constitute an obstacle for achieving this consensus?

[Otero] I want to be very clear. A consensus has been achieved. This agreement was approved by the president on 4 November. I have in my possession the sole copy of the text of the agreement, which I will submit at noon today to the Senate committee in my capacity as committee president.

This agreement is signed by the interior minister, by the justice minister, by the minister secretary general of the government, four of the five senators who sponsored this proposal, and two CPPD representatives on the Senate's committee: PDC [Christian Democratic Party] Senator Juan Hamilton and PR [Radical Party of Chile] Senator Anselmo Sule.

We must be very clear. We have achieved a consensus on the text, and the objective sought. This is a signed agreement, and this is the text which the Senate and the Chamber of Deputies must debate. Those who disagree with it will have to answer before the people.

[Kahl] Which are definitely the issues that are causing disagreement between the UDI and the Socialist Part [PS], for example?

[Otero] Some want the immediate enforcement of a law of expiration, while others want to continue with the trial processes without offering any kind of safety measures for the military. They also want to identify the perpetrators. Furthermore, the PS endorsed a measure included in the first government proposal amending the Amnesty Law. This measure affected all human rights crimes and it established that no Amnesty Law would be enforced if the whereabouts of the missing detainees were not established or their remains were not found. This was tantamount to nullifying the Amensty Law. This is another issue that was resolved, and this is why this new draft bill is restricted solely to those cases in which no crime has been ascertained.

As you can see, it is impossible to achieve a consensus by upholding radical positions. Why is this? Because neither the administration nor the opposition have sufficient political power to impose their position.

The country must acknowledge that all that occurred was very tragic. All Chileans must learn from this situation and acknowledge that the principle of the end justifying the means is not good for any group. But we cannot live in the past. The country must march forward. It is an imperative we most uphold for the sake of our youths. We have to open the path to the future, and this will be achieved by resolving this truly conflictive issue.

On this occasion, I would like to acknowlege the generosity and the unselfish attitude adopted by all groups involved. All of us had to tolerate many things. All of us had to put aside our own ideas and feelings to achieve a positive cosensus.

It is not easy to achieve this kind of consensus. It demands great political courage, and this is why I respect the president, the cabinet members, and the members of the ruling coalition who have supported this position.

I would also like to extend my gratitude to the RN members who have expressed their support at all times, like Senator Sergio Diez, Senator Sebastian Pinera, and the various members of the Senate committees, such as Senator Sergio Romero, who was permanently at my side, and Senator Ignacio Perez.

Therefore, there are many people involved in all this whose names have never been mentioned. This consensus was achieved through the effort of all Chileans.

[Kahl] Undoubtedly, this is a joint effort made by all the sectors which have shown a mature attitude by achieving a consensus, by putting aside conflictive views....

[Otero, interrupting] This is precisely what must be underscored before the entire country, and I hope that sometime in the future people will acknowledge the courage with which this issue was handled instead of adopting easy solutions because it is always easier to criticize and destroy than to build something. It is very difficult to achieve a consensus. As a result of this, the administration will face serious problems with the PS and the Communist Party, while RN will face serious problems with a group of hardliners. Such attitudes, however, do not lead to national reconciliation, and I believe this consensus has been achieved with a mature attitude. It is a great Chilean victory, and something that will allow us to look forward.

[Kahl] Thank you very much for discussing the highlights of this agreement with us this morning, and congratulations to all those responsible for it. We would also like to wish you good luck.

[Otero] I forgot to mention someone who also played a preponderant role — Senator-designate Carlos Letelier Bobadilla, former Supreme Court member, who also signed the consensus.

[Kahl] Thank you very much, Senator Otero.

Legislators' Reactions

PY0811031595 Santiago EL MERCURIO in Spanish 5 Nov 95 p C3

[FBIS Translated Excerpt] Legislators of various political parties have expressed their desire to find a solution to the pending human rights issue for the sake of the reconciliation of all Chileans.

However, they voiced some objections and the need to assess the agreement on the subject reached by the government and the National Renewal Party [RN].

Deputy Alberto Espina, RN vice chairman, voiced his satisfaction and said that it is a great agreement, one that fulfills the objective of taking concrete steps toward a reconciliation and ending the trials involving members of the Armed Forces as well as seeking mechanisms that may encourage the search for arrested/missing people.

Deputy Juan Antonio Coloma, UDI [Independent Democratic Union] secretary general, said they value any effort in favor of a reconciliation because it is a key issue for all Chileans.

Regarding the agreement, he said that the subject of the correct interpretation of the Amnesty Law has been dismissed; the subject of the search for the arrested/missing has been accepted; and that positive steps are taken to expedite the trials, although "there are subjects that have still not been resolved properly, such as not establishing a deadline to end the pending trials."

Deputies of the Socialist Party [PS] and the PPD [Party for Democracy] will assess the subject of the agreement on 6 November in Santiago and on 7 November in Congress. This information was disclosed by bloc leaders Juan Pablo Letelier and Octavio Jara respectively.

Deputy Letelier was very careful in giving an opinion, and only said that first they want to learn the details of the text.

However, he disclosed that the PC bloc does not believe "the proposals will represent a setback regarding Chile's demand for the truth and justice."

PPD bloc leader Octavio Jara said that his first reaction to the subject is one of "understanding," although he was very cautious in stating his viewpoint "because we want to discuss the issue."

As for the support expressed for the agreement by PPD Chairman Jorge Schaulsohn, he said he will assess the proposal within the bloc.

Moreover, Deputy Jorge Pizarro, vice chairman of the Christian Democratic Party [PDC], said that the proposal is the result of a dialogue between political and social protagonists aiming toward a reconciliation that "seeks to gain access to the truth of what happened, especially as concerns the arrested-missing."

It is an achievement, he added, although he said the details, from the juridical viewpoint, are unclear and difficult for the public opinion to understand.

RN Vice Chairman Deputy Alberto Cardemil and UDI Vice Chairman Senator Hernan Larrain agreed in commending the agreement reached but explained that that had nothing to do with the position they will adopt regarding the constitutional reforms project, which, in their capacity as the opposition, they reject.

Cardemil said that this is quite clear to the RN, as was clearly established during the political commission on 3 November.

In Temuco, UDI Senator Hernan Larrain made similar comments, warning that his party will continue to reject the constitutional reforms.

Socialist Senator Jaime Gazmuri insisted there are still objections to the agreement between the Coalition of Parties for Democracy and RN with regard to the fact that trials related to violation of human rights will continue to be heard by military courts, where "they have not been conducted properly."

In the government's opinion, the following are the issues regarding which progress has been made in the agreement reached with the RN:

a. Referring to the opposition senators' proposal:

— Lack of measures that may be regarded as an "expiration law" [punto final], that is, lack of deadlines for acquittals.

— Lack of a generic interpretation of the Amnesty Law, which could have had a very negative impact on the pending trials.

b. Referring to the current proposal:

— The possibility of appointing judges who will exclusively investigate cases of missing people.

— The possibility of reopening cases temporarily closed without new information.

— Expediting proceedings currently in the hands of the military court (searching of barracks, confiscating of documents).

Interior Minister Carlos Figueroa also mentioned the following aspects of the proposal that do not modify Frei's proposal:

The government regards relevant the following aspects of its original proposal that were not modified:

— The fact that cases being heard by the military court will not be transferred to a civilian court.

— Secrecy regulations. The project includes measures by which people may appear to testify without disclosing their identity. Moreover, it extends the secrecy to the proceedings currently carried out by the military court (search of barracks).

Report by Maria Angelica Venegas from Temuco

RN Deputy Andres Allamand said the agreement reached with the government on the human rights issue is a very important step toward national reconciliation. He added that the agreement will be the basis of a new civilian-military relationship.

Allamand also said the bill will put an end to the hostility toward the Armed Forces and will make it possible to find a formula for a thorough investigation and for making a serious effort to solve the pending cases.

He also said his party made an effort to close the transition period, and that what remains to be done is to reach an agreement on the constitutional reforms, not to dismantle the Constitution but to improve it.

Allamand rejected the criticisms made by the UDI to the effect that one sector of the RN is reportedly betraying the Unity for Chile pact. He said: "Why should we be turning our back on the pact when we are really working for an agreement that will bring benefits to the civilian-militay relations."

Allamand added: "In Chile we have a proverb that can be used in this case: Those watching the game are not allowed to speak." He pointed out that rational and autonomous decisions will be made and that "we couldn't care less about criticisms, whether from the UDI, the PDC, or the PS." [passage omitted]

Report by Nieves Aravena from Osorno

Sola Sierra, president of the group Relatives of the Missing, said yesterday that if Congress approves the bill with the negotiated amendment between the Coalition of Parties for Democracy [CPPD] and the rightist sectors, her group will file charges against the Chilean Government before the Inter-American Human Rights Commission "for violating the right to justice."

Sierra said the bill "violates the right to justice because no bill from the right will allow the truth to be known and those responsible to be tried. The idea is to have an elegant final amnesty law that would not hurt the right or the CPPD."

If this bill is approved as expected, Sola Sierra said her group will continue to struggle for the truth. It will denounce the Chilean Government before international organizations for violating signed agreements, and ask that the government be put on trial.

Report by Juan Soto from Copiapo

PDC President Alejandro Foxley said the government bill on the missing will not accept the PS proposal to transfer to the civilian courts the human rights cases in the hands of military courts.

In the face of the mistrust shown by the PS, Foxley said: "We would have liked those cases to be transfered to the civilian courts, but we also understand that we cannot uphold a 'maximalist' position. The entire focus and philosophy of the transition toward democracy in Chile were based on accepting the fact that steps must be taken in accordance with possibilities and that steps backward must be prevented. In this case, there is no step backward; there is progress."

Foxley believes the pending cases in the military courts will not end up in some kind of final amnesty. This is because, in his words, "several cases have been in the military courts for a long time and none of them were closed. Therefore, there is no reason to believe this bill will help close the cases."

Foxley added that if that were possible, the military courts would have closed the cases already. What happens, he said, is that "both civilian and military courts have to follow procedures, and this cannot be made arbitrarily."

He reiterated that although he shares the PS position, he does not believe this issue "should become an excuse to reject such a good bill."

Ex-FPMR Leader Condemns Bill

PY0811135995 Madrid EFE in Spanish 0054 GMT 8 Nov 95

[FBIS Translated Excerpt] Santiago, 7 Nov [EFE] — Sergio Bushmann, ex-leader of the Marxist Manuel Rodriguez Patriotic Front [FPMR], left prison today after paying a bail equivalent to $970.

In an improvised news conference held outside the prison after he was released by a military court, Bushmann said: "The armed struggle emerges when the people are tortured, murdered, and persecuted. This is not a game used whenever one likes, but if torture returns, the armed struggle will emerge again."

Bushmann, who was imprisoned in June 1994 after giving himself up to military judicial authorities upon returning from Nicaragua, said he was happy after he was greeted by his three daughters and militants of the FPMR and the Communist Party. [passage omitted]

Asked about the government bill on human rights to be debated in Congress to put an end to the cases on human right violations, Bushmann said: "As a Chilean, I am ashamed to live in a country where cowardice prevails in a bill that protects the real murderers of the people." [passage omitted]

Military Court Releases Ex-Subversive Leader on Bail

PY0811025495 Madrid EFE in Spanish 2020 GMT 7 Nov 95

[FBIS Translated Excerpt] Santiago, 7 Nov [EFE] — The Santiago Military Court today ordered the release on bail of Sergio Bushmann, former leader of the Manuel Rodriguez Patriotic Front (FPMR), who tried to murder General Augusto Pinochet in 1986.

Bushmann has been held in a high security prison since June 1994 after he gave himself up voluntarily to a military court when he returned from Nicaragua, where he was living as a political refugee. [passage omitted]

The military court decision to release him on bail was confirmed by his lawyer, Hugo Gutierrez, who said Bushmann meets all the conditions "to return to society and political activity."

Gutierrez said the Santiago military judge must establish the amount of the bail before Bushmann can leave the prison.

RN, UDI Disagree Over Approval of Constitutional Reforms

PY0711163195 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 7 Nov 95

[Speakers identified by screen caption]

[FBIS Translated Text] Last night the National Renewal [RN] political committee expressed its will to amend certain constitutional articles such as those pertaining to the National Security Council, while the UDI [Independent Democratic Union] reasserted its rejection of the constitutional reforms.

[Begin recording] [Unidentified reporter] In what may be a preview of the upcoming RN General Council meeting that will begin on 10 November in Temuco, RN held quite an impressive meeting last nights.

The discussion of the constitutional reforms which is dividing RN is in its final stages. There was tension within the framework of this political committee meeting when Sergio Onofre Jarpa, the leader of the RN hardliners wing, withdrew from the meeting after his proposal to postpone the vote on the constitutional reform until the holding of the General Council was rejected.

Jarpa reasserted his criticism to the reforms.

[Reporter] What would happen if the RN General Council agreed to approve the government-sponsored constitutional reforms?

[Jarpa] I do not believe it will approve them.

[Reporter] But what would happen if it did [words indistinct]?

[Jarpa] I have no idea. Believe me, I do not think it will approve them.

[RN Deputy Sergio Diez] The law restrains political parties from imparting orders. Each one of us is free to pass his own judgement and to vote. Nevertheless, from a moral point of view we must consider that when exercising this freedom on constitutional matters we must comply with the resolutions issued by the top party organization.

[Reporter] The RN Political Committee approved some of the reforms such as those concerning the Ethics Committee. The RN committee also approved by a majority vote the reform of the National Security Council, one of the so-called hard reforms; although no specific issues were listed. The RN Political Committee agreed to hold another meeting on 9 November.

While this was taking place in RN, the UDI Political Committee was also holding its own meeting. During the meeting, the UDI reasserted its rejection of the constitutional reforms and insisted on its position that the Union for Chile Pact should be clearly in the opposition and must center its efforts in broaching issues such as corruption. [end recording]

Uruguayan Economy Minister Views Mercosur Negotiations

PY0611220895 Santiago ESTRATEGIA in Spanish 2 Nov 95 p 39

[Interview with Economy Minister Luis Mosca by unidentified ESTRATEGIA reporter during Mosca's visit to Chile; place and date not given]

[FBIS Translated Excerpt]

Mercosur [Common Market of the South]

[ESTRATEGIA] Do you think Chile and Mercosur will conclude negotiations by 30 November to allow them to sign an agreement in early December?

[Mosca] I am fully convinced an agreement will be achieved. To do this there is a basic game rule: Future preferential rates must be negotiated on the basis of existing preferential rates. The fact that these preferential rates may suffer some changes is sometimes the cause of disagreements.

[ESTRATEGIA] What is the cause of most disagreements?

[Mosca] In Chile's case there are disagreements over some agricultural areas, basically cereal producers. In small countries like Uruguay there are problems over certain fruit and vegetable market areas in which Chile has been successful over the past few years. As you can see, it is very difficult to please everyone.

[ESTRATEGIA] What are the most sensitive areas for Uruguay?

[Mosca] Everything pertaining to the fruit and vegetable market, which generally employs a large number of people and, therefore, has a great social impact. We should also not overlook the fact that the achievement of an agreement like Mercosur also creates bilateral mechanisms. It is feasible to establish quota mechanisms for certain items, thus guaranteeing that bilateral understandings among some member countries do not undermine the group as a whole.

[ESTRATEGIA] What treatment do you believe these areas should receive?

[Mosca] We should assess how other agriculture may benefit from these types of understandings and which kind of specific safeguards should be adopted to enforce a gradual adjustment process.

[ESTRATEGIA] How much time are we talking about?

[Mosca] In the case of the negotiations with Chile, it entails 10 years. We should all strive to reduce this... but I believe it is a reasonable period and we will surely progress in the negotiations.

The Uruguayan Economy

[ESTRATEGIA] What is the Uruguayan economic situation like?

[Mosca] Uruguay has experienced a continuous growth over the last decade at an average accumulative per capita rate of about 3.4 percent. Our GDP is about $17 billion for a population scarcely over 3 million. This means we have a per capita income of about $5,600.

The opening process has resulted in a strengthening of ties with neighboring economies and we are increasingly dependent on the structure of relative prices and the development of the Brazilian and Argentine economies. When Argentina experiences sharp growth, Uruguay immediately feels the impact because our exports of service goods is strongly centered in Argentina. When Argentina readjusted its economy through the enforcement of the convertibility plan, in view of the Mexican crisis in December 1994, Uruguay could not avoid the impact of such an adjustment. Uruguay also felt the impact of the Brazilian economic slowdown during the first half this year. In view of this, Uruguayan economy will be unable to grow in 1995.

[ESTRATEGIA] What are some of the current challenges?

[Mosca] We are engrossed in implementing all the reforms to grant us a lower exchange rate; and thus, as of next year, to retake the path of economic growth like the country has experienced for the past decade. This will be possible because of the satisfactory economic stabilization program implemented in Brazil. If, as everything seems to indicate, Brazilian foreign trade increases, there will be a strong growth in the first few months of 1996.

[ESTRATEGIA] One of the challenges the economy faces today is the reform of the social welfare system which encompasses 600,000 retirees in a population slightly over 3 million. How is the process going and what was the impact of the Chilean example?

[Mosca] The total social security cost in Uruguay is virtually half of all public costs. In real terms, it has experienced an important increase in the last few years and represents about 17 percent of the GDP.

This would have been an explosive problem had we not enforced a reform that safeguards certain equity principles and also allows us to make more dynamic our insufficient savings level. In September we approved a very important change and enforced a mixed system in compliance with current legislation. The example of the reform implemented in Chile is important, but it must adapted to each individual country. [passage omitted]

[ESTRATEGIA] Which areas do you believe will be of more interest for Chilean investors?

[Mosca] Through the establishment of joint ventures with private and public companies there are possibilities in the infrastructure and energy areas. Among private enterprises, there are very good possibilities in agroindustry. There are also investments to be made in the lumber, cellulose, and paper industries and in service areas. [passage omitted]

Colombia

President's Attorney Rejects Report on Drug Links

PA0811041595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0230 GMT 8 Nov 95

[From the "QAP News" newscast]

[FBIS Translated Text] President Ernesto Samper's attorney Antonio Jose Cancino on 7 November reacted to a front page report appearing in THE MIAMI HERALD on 5 November regarding the president's links with the drug capos:

[Begin Cancino recording] It is a lying and slanderous rehash. I think the country has gained, through this entire process, sufficient experience about a number of lies based on a single reading. [end recording]

The article described Samper as a discredited [venido a menos] golden boy. It added that his links with drug trafficking date back to 1982 when he allegedly received $300,000 from Pablo Escobar and that his 1993 electoral campaign received $6 million from the Rodriguez Orejuela Brothers. The justice minister also rejected the links that the newspaper attributed to the president:

[Begin Minister Nestor Humberto Martinez recording] If a link must be established between this government and the Cali Cartel, it should be that this is the only authority in the world that has managed to bring them before law and justice. [end recording]

The article concluded that although Colombians turned a blind eye to the drug cartels a few years ago dirty money is at present an obsession among the media and the nation.

President Proposes Agreement Against Violence

PA0811025695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 8 Nov 95

[From the "Seven O'Clock Newscast"; all speakers identified by caption]

[FBIS Translated Text] [Station announcer Maria Cristina Uribe] President Ernesto Samper on 7 November surprised everyone by proposing a national agreement against violence. This agreement, according to the head of state, should include all Colombians, including Andres Pastrana, whom he named despite the great differences that exist between the two politicians:

[Begin recording] [Samper] I say to the country: To defeat violence I am willing to advance as much as necessary toward the signing of an agreement to guarantee to the new generations of Colombians the governability that the magistrates, whom we remember today, dreamt for Colombia.

[Unidentified reporter] President Samper surprised everyone today at the Narino Palace during the ceremony to mark the 10th anniversary of the holocaust at the Justice Palace. His speech virtually left open the doors to reach an agreement, even with his political enemy, Andres Pastrana, to bring about peace and national reconciliation in the country:

[Samper, in progress] ...reorganize the anti-crime policy to take on the great challenge of justice system, the task of preparing the fight against phenomena such as subversion, terrorism, and drug trafficking.

[Unidentified reporter] Until this agreement is reached, the government this very day launched the Criminal Political Commission [Comision Politica Criminal] to fight crime in the country.

[Uribe] And although Andres Pastrana refused to comment on this development on 7 November despite the insistence of the journalists, other Conservative leaders did:

[Jaime Arias, president of National Conservative Directorate] I hope this will not be another agreement of those made every 15 days in this country or every time an important person dies. I hope this will be a definitive agreement.

[Senator Fabio Valencia Cossio] At a time of serious crisis one cannot rule out any agreement that would allow all Colombians to unite efforts to save the country from violence and chaos.

[Senator Roberto Gerlein] Annulments [revocatorias] and confrontations have resulted in more dead than have summons and harmony. [end recording]

'Movement for Dignity' Threatens Samper

96P20081A Mexico City REFORMA in Spanish 6 Nov 95

[Received via Internet]

[FBIS Translated Text] Bogota (AP)—The terrorist group "Movement for the Dignity of Colombia" today threatened to assassinate President Ernesto Samper and other important figures if Samper does not resign from the presidency.

The group, which last week claimed responsibility for the murder of former presidential candidate Alvaro Gomez Hurtado, issued the warning in a communique which was broadcast over the radio and published in the newspaper EL TIEMPO.

"You, Mr. Samper, have to leave the presidency or you will witness, day after day, the fall of this country's important figures.

"Your armored cars will be of no use to you when a thousand-kilogram mass, guided by one of our kamikazes, crashes into you," states the communique by the spokesperson of the terrorist group.

The person states that the killing of Gomez Hurtado was the second score in a game of three parts and that the third score is going to cause "an even bigger bang."

"Know, Mr. Samper, that your days are numbered," concludes the terrorists' communique.

Correction: Minister Comments on Effort 'To Destabilize'

PA0311194895

The following correction pertains to the item headlined "Reportage on Assassination of Former Presidential Candidate: Effort 'To Destabilize, Sow Chaos'," published in the 3 November Latin America DAILY REPORT, pages 46-47.

Page 46, column two, antepenultimate paragraph, second sentence make read: ...in Santa Fe de Bogota's Britania neighborhood due to reports of an alleged plan to attack him. [new graf]

We consulted the... (rewording for clarity)

Correction: Samper Says No Force Can Enter Territory

PA0311195095

The following correction pertains to the item headlined "Samper: No Foreign Force May Enter Colombian Territory," published in the 2 November Latin America DAILY REPORT, page 38:

Column two, sixth complete paragraph, only sentence make read: ...added that Colombia wants unity on its borders, not divisiveness. (rewording for clarity)

Ecuador

Duran-Ballen Asked To Abolish Decree on Discretionary Funds

PY0811022995 Quito Voz de Los Andes in Spanish 2300 GMT 7 Nov 95

[FBIS Translated Text] Congress President Fabian Alarcon asked President Sixto Duran-Ballen to abolish, for the well-being and peace of Ecuador, the executive branch decree by which the government takes custody of information on the state discretionary funds, the microfilms.

Alarcon gave all his support to Carlos Solorzano, president of the Supreme Court, and expressed the hope that he will be able to check the microfilms, the information on the discretionary funds of the vice presidency.

Electricity Rationing Reduced to Four Hours

PY0811022895 Quito Voz de Los Andes in Spanish 2300 GMT 7 Nov 95

[FBIS Translated Text] Bolivar Lucio, general manager of the Ecuador Institute of Electrification, Inecel, announced today that the rationing of electricity in the country has been reduced since yesterday and that it is expected that the supply of electricity will go back to normal by December.

[Begin recording] [Lucio] We can announce that thanks to the increase of the water level of the Paute River and the measures announced by the president, the rationing of 25 percent of electricity, which represented an average of about nine to ten hours daily, has been reduced to four hours. In the particular cases of cities like Tulcan, Ibarra, and Cuenca, the water rationing has already been lifted because they have their own electrical resources. In some cases they are buying electricity from (Serenar), Colombia, and are also obtaining electricity from the Cuenca hydroelectric plant thanks to the increase in the water level. In cities like Quito and Guayaquil, the rationing covers about three to four hours daily. In the case of Quito, a fixed hour of electricity cuts will be established between 0700 and 1100 untill the situation improves, and in the afternoon between 1500 and 1800. These are the cuts during the day, and at night the rationing will start at 2300 until 0600, when there are fewer activities. This decision went into effect today. Therefore, the rationing of electricity involves only four hours during the day, which is obviously a substantial improvement.

[Unidentified reporter] Will this last until December?

[Lucio] This rationing will go on until the end of this month. Next month, with the operation of the plants [words indistinct] in addition to the repairs [words indistinct] being made, there is the possibility of confirming what the president said, of eliminating the rationing of electricity in December. [end recording]

Peru

Congressmen React to U.S. Decision To Suspend Aid

PY0711141695 Lima America Television Network in Spanish 0100 GMT 4 Nov 95

[FBIS Translated Text] Reports on the U.S. Congress decision to suspend U.S. military aid to Peru have prompted different reactions among congressmen.

[Begin recording] [Antero Flores A., Popular Christian Party] Obviously, it is regrettable that the United States does not understand the efforts Peru has made for its pacification, and does not see the measures adopted to make the process more flexible, and also the mechanisms that have to do with the trial against those involved in terrorism; and the fact that it cannot understand that the prosecutors' offices for the defense of human rights and the people have been established in Peru; that the United States cannot understand all the efforts Peru has made for freedom of the press, and that all human rights are respected.

[Luz Salgado, Change 90-New Majority] I do not think it is very harmful but in any case it would seem that, according to the report, we are systematically violating human rights, and that is not so. Different international organizations have recognized that great progress has been achieved in this process, that there is a change in the strategy of our Armed and Police Forces, and the different organizations are aware of this, including the fact that bilateral cooperation has been stronger concerning the aid our country has been receiving.

[Anel Townsend, Union of Peruvian People] I take this as a conditioning to one drug trafficking area: the Ucayalli area, where there is a naval and a military base as well. I do not believe in a general suspension. I think the report specifically refers to reduction of military aid in the drug trafficking area which affects this part of Peru. [end recording]

Judge Expects Army Reply on Warrant for Officers' Arrest

PY0811030395 Lima America Television Network in Spanish 0100 GMT 8 Nov 95

[FBIS Translated Text] The Peruvian Army has not yet reacted to the warrant for the arrest of 11 officers, including two generals, ordered by the judge of the Lima

25th Court. The Army officers were reportedly involved with the drug trafficking gang headed by Abelardo Cachique Rivera.

[Begin recording] [Unidentified reporter] Judge Cesar Herrera, head of the Lima 25th Court, who filed criminal charges and ordered the arrest of 11 officers for their alleged complicity in the illegal activities of drug trafficker Abelardo Cachique Rivera, said he hopes that in the next few days the Army will reply to his warrant. Herrera also ordered the embargoing of all the assets of the officers, and that they be held in a common prison. The two generals are MacDonald Perez, ex-commander of the 31st Army Infantry Division of Huanuco and David Jaime Sobrevilla.

[Second unidentified reporter] Will this create a problem of jurisdiction with the military court?

[Herrera] I cannot talk about what will happen because that will depend on the parties.

[Reporter] What is your opinion; what will your answer be?

[Herrera] The same; I will make a decision regarding any proposal in accordance with the law.

[Reporter] [words indistinct] the whereabouts of the officers, were their whereabouts known?

[Herrera] Yes, the officers were interrogated in the Dinandro [National Antidrug Directorate], and their whereabouts were known. [end recording]

Further on Detention of Officers

PY0811023495 Madrid EFE in Spanish
1624 GMT 7 Nov 95

[Names of military officers below as received]

[FBIS Translated Text] Lima, 7 Nov (EFE) — Peruvian justice today ordered the transfer of two generals and nine other officers to a common jail after they were found responsible for having protected the illegal activities of a well-known Peruvian drug trafficker.

Generals Jaime Sobrevilla and MacDonald Perez were detained in their respective military units on orders from the Army Military Command after the Prosecutor's Office verified their responsibility in those activities.

Judge Cesar Herrera, head of the Lima 25th Court, also ordered the embargoing of all the assets and bank accounts of the 11 officers as a preventive measure in case they will have to pay indemnization to the state.

General Sobrevilla was head of the Mantaro Front in the struggle against terrorism, while General Perez was commander of the 31st Army Infantry Division in Huanuco. The two generals held those positions from 1991 to 1994.

The other military personnel who acted under the generals' orders are: Colonel David Antonio de Vinatea, Lieutenant Colonel Jose Federico Peralta, Major Agustin Tafur, and Captains Hugo Dante Cordova and Guillermo Fernando Portal.

The list also includes Captain Hector Humberto Oriol, Lieutenants Luis Roberto Plascencia and Maria Jesus Figueroa, and 2d Lieutenant Jorge Eduardo Ponce.

According to Prosecutor Flor de Maria Mayta and Judge Herrera, the officers allowed the free movement of airplanes carrying drugs to Colombia and the operation of clandestine cocaine labs in the zones under their control.

In exchange for that, the gang of drug trafficker Abelardo Cachique Rivera, aka "el Negro," first paid a contribution of $200,000 and later paid monthly contributions of $25,000, according to Cachique Rivera himself, who was detained last June and later sentenced to 30 years in jail.

The responsibility of the officers was also established through the testimony of officials of Iscozacin, where the landing fields used by the traffickers to ship cocaine base are located.

General Sobrevilla and Perez were also accused of having denied the necessary logistical support to the military and police forces involved in drug enforcement "despite the fact they knew about the drug traffickers' activities in the Pichis Palcaz valley" under their jurisdiction.

Prosecutor Mayta's report says: "Quite the contrary; in June 1994, the officers ordered the withdrawal of the counterinsurgency force stationed in Iscozacin, leaving unwatched the airfield used by Cachique to send drugs."

EXPRESO, based on information from the Prosecutor's Office, reported today that the legal situation of the officers "could be complicated if they are linked to the many murders ordered by Cachique in Iscozacin and the surrounding area to impose his will."

This is how that daily alluded to previous press reports that some officers acted as killers at the service of Cachique's gang by killing his enemies.

It is expected that the accused officers will be handed over to a civilian court in the next few hours because the Army refuses to give protection to its members involved in drug trafficking.

In the past, the Army handed over General Jaime Rios Araico, ex-commander of the Huallaga Front, who was accused and sentenced to 15 years in prison for covering up the activities of drug trafficker Demetrio Chavez, aka "Vaticano."

According to a court source, Rios Araico appealed the sentence and his process continues in a civilian court without any interference from the Army.

Netherlands Fully Condones 1995 Debt Service

PY2710132295 Lima America Television Network in Spanish 0100 GMT 27 Oct 95

[FBIS Translated Text] The Netherlands Government has fully condoned the Peruvian debt service for this year which amounts to about $10 million. Thus, the Peruvian debt pardoned by the Netherlands Government to date amounts to about $90 million.

This move was announced today in The Hague by the Netherlands minister of development cooperation when he welcomed Peruvian Economy Minister Jorge Camet, who is on a working tour of Europe. The two ministers stressed the excellent level of cooperation prevailing between the two governments.

Privatization of Iron, Steel Enterprise Postponed

PY0111204095 Madrid EFE in Spanish 1917 GMT 27 Oct 95

[FBIS Translated Text] Lima, 27 Oct (EFE) — On 27 October, a government spokesman announced that the privatization of Siderperu [Peruvian Iron and Steel Enterprise] — the state-run iron and steel company — which was scheduled for 30 October, has been postponed until 30 January.

The auction was postponed at the request of two enterprises that are interested in participating in the tender. The enterprises need more time to analyze some changes in the tender documents.

One of the changes is that the increased labor capital [capital de trabajo] between December 1994 and August 1995 — estimated at $30 million — will be transferred to the winning bid.

Another change is that the winner will have to make a $30 million investment over four years, instead of seven years, as previously established.

Siderperu's base price remains at $136 million, of which $80 million must be paid in cash, $26 million in Peruvian foreign debt certificates, and $30 million in investments for developing the enterprise.

Among the parties interested in buying the Peruvian enterprise are the Korean Samsung corporation, the Swedish Ag[illegible] the Peruvian Raxter — in partnership with the Mexican Sicartasa — the Brazilian CSN [National Iron and Steel Company] and White Martins, the Peruvian Aceros Arequipa, Peruvian-U.S. Acerco, and the Indian-Mexican Ispat.

Uruguay

President Comments on Assassination of Israel's Rabin

PY0611150495 Madrid EFE in Spanish 0209 GMT 5 Nov 95

[FBIS Translated Excerpt] Montevideo, 4 Nov (EFE) — Uruguayan President Julio Maria Sanguinetti asserted today that "democrats the world over are overwhelmed with grief" following the assassination of Israeli Prime Minister Yitzhaq Rabin.

The Uruguayan head of state was informed of the attempt on Rabin's life at "Anchorena," the presidential weekend residence, 177 km West of the Uruguayan capital.

In a communique to EFE by the spokesman of the Presidency, Sanguinetti stated: "The cause of peace has once again created a new martyr. In this case it is a great statesman, a courageous military man, a great democrat who survived thousands of battles and who today succumbs to intolerance, at a time in which even his most implacable enemies of the past have acknowledged his stature and pay him tribute."

The head of state added: "We, the democrats of the world, are overwhelmed with grief over this death which places on us the obligation to redouble our efforts to support the cause of the Israel State and peace in the Middle East."

Sanguinetti emphasized: "We are all dismayed at this event because another victim has fallen to the cause of peace."

"It is unfortunate that peace-loving men are the ones who must pay with their lives for the outrages of fanatics. From Gandhi to Sadat, the great Egyptian president who was a trailblazer in the struggle for peace, and now Rabin, have fallen to the intolerance of extremist groups of their own peoples," he added.

Concluding, Sanguinetti said: "I had the honor to meet Rabin. I am really deeply affected and would like to convey to the people of Israel that the Uruguayan people sympathize with them in their bereavement." [passage omitted]

President, Malaysia's Mahathir Hold Talks 4 Nov

BK0611131195 Kuala Lumpur THE STAR in English 6 Nov 95

[Report by Chua Yew Kay; received via Internet]

[FBIS Transcribed Excerpt] Colonia (Uruguay) — Malaysia is keen to build infrastructure and develop property in Uruguay in its efforts to boost trade and other ties with South American countries.

Prime Minister Datuk Sri Dr. Mahathir Mohamed said on Saturday that Malaysian investors were thinking of acquiring a hotel and the proposed world trade centre, and undertake bridge and road projects in Uruguay.

The Prime Minister described Uruguay as a "sort of Switzerland" in the region, saying it now had a very open policy.

"This augurs well for trade and can lead to Uruguay becoming a centre of operations for trade with other countries in the region, " Dr. Mahathir told local and Malaysian journalists after talks with Uruguay President Julio Sanguinetti.

He said apart from investments, Malaysia was keen to have more exchanges of visits with Uruguay.

"There is also a need to identify areas of common interests and the possibility of working together when the two countries have a common stand on some issues," he said.

On his hour-long discussions with Sanguinetti, Dr. Mahathir said they reviewed the ties between the two countries and the general situation inn South-East Asia.

He also renewed an invitation to Sanguinetti to visit Malaysia that the Yang di-Pertuan Agong [paramount ruler] had extended to the president during a visit here in September. [passage omitted]

Dr. Mahathir later flew back to Buenos Aires at the end of his 24-hour official visit to Uruguay and will attend the G-15 [Group of 15] opening today.

Venezuela

President Views Economic Adjustment Policy, IMF

PA0811033195 Caracas Venezolana de Television Network in Spanish 0200 GMT 8 Nov 95

[FBIS Translated Text] At the conclusion of the meeting of the Group of 15 [G-15] held in Buenos Aires, Argentina, the president of the Republic affirmed that his government will maintain a policy of economic adjustment in the face of the exigencies of immediate reforms required by the IMF.

President Dr. Rafael Caldera stated that the IMF wants immediate solutions and the way to reach an agreement quickly is for one of the parties to accept the conditions of the other, but we plan to defend our viewpoint.

[Begin Caldera recording] In this regard, we have always shown our willingness to talk [passage indistinct] the letter of intent, the Venezuelan people — this was part of my government program during the election period — is that we would talk to international financial organizations, in an atmosphere of [words indistinct] and according to the circumstances and interests of our country. [end recording]

Regarding the foreign exchange system, the president said it always had a provisional nature. He noted the reestablishment of free exchange of foreign currency will produce its effects on the value of the currency, until it reaches a reasonable level.

[Begin Caldera recording] We are not considering gradual devaluations or devaluations of any other kind, but a return to the system of free exchange. To do this, we need the support of the IMF because we would otherwise be exposing ourselves to be left without international reserves. [end recording]

President Caldera ratified his support for the integration process and he vowed to seek a more effective and broader integration between the Andean Pact and Mercosur [Common Market of the South].

Finance Minister on Dismantling Foreign Exchange Control

PA0811035595 Caracas Venezolana de Television Network in Spanish 0200 GMT 8 Nov 95

[Report by Pedro Prado]

[FBIS Translated Text] There is a great deal of expectation in the country over the arrival this Wednesday of the IMF Technical Mission, which will analyze the adjustment program. This program will allow the nation to receive approximately $7.5 billion from multilateral organizations.

Meanwhile, Finance Minister Luis Raul Matos Azocar stated at the Miraflores Palace that the national government is studying the dismantling of the control on foreign exchange.

The negative psychological effect caused by the so-called tourist or Brady dollar on the foreign exchange market has distorted, according to Finance Minister Luis Raul Matos Azocar, the sector of foreign exchange. Consequently, it is likely that before that has been planned, the government will make a decision to correct the foreign exchange distortion.

[Begin Matos Azocar recording] There is a distortion in the market due to the psychological effect generated by the Brady bond dollar. And we must quickly make decisions that will allow us, on one hand, to dismantle in an organized manner the foreign exchange control system and, on the other hand, the organized unification of the exchange system. We are working very fast on these mechanisms and we will make decisions in this regard very soon. [end recording]

The finance minister also brought news upon returning from Japan and South Korea. Korea's EXIM Bank opened a credit line of $100 million to allow the Venezuelan small- and medium-sized industries to purchase inputs. In addition, Korean financing for $3 billion is being negotiated for the purchase of shares of stock in areas such as wood, aluminum, and steel.

[Begin Matos Azocar recording] Those markets have been opened both for products and financing. In addition, Venezuelans now — following the conversations we are going to have with Congressional Committees, the Venezuelan Guayana Corporation, as well as different small- and medium-sized companies — must take advantage of this opportunity opening up in Asian markets. [end recording]

With regard to the IMF, the finance minister said it is not extremely important to sign an agreement with multilateral entities by 15 December of this year. He considered it more important to create, for the remainder of the year, a necessary floor and maintain conversations so that the announced signing can take place in early 1996.

Exchange Board Coordinator Views Lack of Dollars

PA0711013395 Caracas Venezolana de Television Network in Spanish 0200 GMT 2 Nov 95

[FBIS Translated Text] We begin today's newscast with economic information. In this regard, Zayda Pereira visited the Exchange Administration Board [JAC], where she learned JAC's activities have become almost paralyzed due to lack of dollars. There are not even dollars to buy priority foods, like milk and wheat flour. Consequently, the supply of these products would be in danger unless the foreign exchange budget is increased.

[Pereira] In this regard, JAC Coordinator Samuel Wilhelm explained that the situation remains unchanged regarding the approval for the importation of medical inputs. However, it should be pointed out that no priority system has been really implemented.

In a country where the consumption of beans is widespread, only $4,000 worth of beans were imported. However, $22 million worth of Mexican beans — a typical dish of Mexico — were imported. This amount exceeded by far the importation of the much-criticized exotic fruits, namely pears and apples. Only $9 million worth of pears and apples were reportedly imported.

In Venezuela, the production of pork exceeds the demand and is made at a good price. However, $600,000 were approved to import pork chops. These are just a few examples.

[Begin recording] [Wilhelm] We have not delivered dollars for the importation of food.

[Unidentified reporter] Does this mean that importers will be forced to import food at Brady-dollar rates?

[Wilhelm] I am not saying that. I am talking about the part corresponding to the JAC.

[Reporter] How will import procedures be carried out if there are no dollars and the JAC is not being given dollars?

[Wilhelm] Well, there are several alternatives. They may have money and are able to import products. [end recording]

[Pereira] Wilhelm also stressed that medical equipment and medicine continue to be priorities on the import list, as well as the foreign debt. In any case, for the medicine and medical equipment, authorities are receiving advise from a multidisciplinary team so as to not make mistakes.

Minister Announces Minimum Salary Increase

PA0711010995 Caracas Venezolana de Television Network in Spanish 1545 GMT 1 Nov 95

[Report by Zaida Pereira]

[FBIS Translated Text] Acting Finance Minister Edgar Paredes Pizzani has announced a minimum salary increase to 31,000 bolivares per month to compensate for the application of the economic adjustment program, which will be in force in January 1996:

[Pereira] The measure aims to palliate the situation that will be created by executive branch adjustments: gasoline price and sales tax increase, exchange rate liberalization, and establishment of a realistic dollar price, among others. All this will cause, according to government estimates, a 15 percent increase in January and a 9 percent increase in February 1996:

[Begin Paredes recording, in progress] ...are situations we are examining very carefully, because they call for salary adjustments — in the public sector and presumably also in the private sector — a social compensation program, and a set of measures to complement the macroeconomic adjustments that will ensure that the possible effects, especially of inflation, will not be so severe. [end recording]

[Pereira] The minister of Cordiplan [Planning Ministry] underscored that inflation will be 50 percent by the close of this year, and he added that this is also the estimated rate for 1996. It is expected that the fiscal deficit will be 3.5 percent below GDP by the close of 1996. The gambling tax, whose bill will soon be presented to the Congress of the Republic, is expected to yield 40 billion bolivares.

Former Cordiplan Minister Miguel Rodriguez, however, believes that inflation will be 40 percent in the first three months of 1996 if the price of gasoline is increased to 40 bolivares per liter, the dollar exchange rate is reduced to 260 bolivares, and the IVA [value-added tax] is increased to 18 percent. He pointed out that these gradual measures or adjustments, which should have been made in 1994 and 1995, must be implemented immediately:

[Rodriguez] It was an irresponsible economic policy to not update prices, fail to collect taxes, not make public sector adjustments, and maintain an excessively high exchange rate for a long time. This calls for stronger adjustments in early 1996. [end recording]

[Pereira] Miguel Rodriguez added that the elimination of exchange rate controls would not cause a flight of international reserves if all this is implemented through an economic program that is in keeping with the country's reality.

MAS Concerned Over Government's Delay With IMF

PA0811012995 Caracas Venezolana de Television Network in Spanish 0200 GMT 7 Nov 95

[FBIS Translated Text] The political base continues to weaken, and now coming into play is the Movement Toward Socialism's [MAS] concern over the delay and incoherence with which the executive branch is handling the negotiations with the multilateral bodies.

[Begin recording] [Unidentified reporter] The MAS leadership could request a change in the country's political organization and a meeting with Finance Minister Luis Raul Matos Azocar soon so he may state the intentions of the government and explain the IMF's delay in coming to Venezuela.

[MAS Secretary General Leopoldo Puchi] There should be significant support for these negotiations and this negotiator, and we should see that it has greater support within the economic cabinet. If this involves changes in the Venezuelan Investment Fund, changes in the Development Ministry, or in some economic cabinet ministries, then the change is necessary.

[Unidentified reporter] Puchi stressed the importance of the anti-corruption struggle and added that the case of the Transport and Communications Ministry should be followed through regardless of the consequences. [end recording]

Seniat Chief: New Taxes To Raise Pressure on Taxpayers

PA0811042795 Caracas Venezolana de Television Network in Spanish 0200 GMT 7 Nov 95

[FBIS Translated Text] As a result of the economic crisis that is overwhelming Venezuelans, Seniat [Integrated National Service for Tax Administration] Superintendent Jose Ignacio Moreno Leon felt that the pressure on taxpayers will increase with the creation of new taxes and the changes in others.

[Begin recording] [Reporter Zaida Pereira] Oil revenues in 1996 will remain stable, and for that reason Seniat will have to contribute 2 billion bolivares to the national coffers. This means an increase in tax collection but that depends on the National Congress. The changes would entail replacing sales taxes with the VAT [value-added tax], raising it to 15 percent, and reinstating the 1 percent tax on financial corporations and the gambling tax.

[Moreno] The gambling tax is simply the casino law that is close to being approved in the coming weeks. It includes an additional tax on operating casinos and game parlors. To be sure, we already have a tax on gambling earnings contained in the income tax law.

[Pereira] The Seniat also announced the raffle of a car and 8 million bolivares a month among all those persons who send in their invoices so as to have better control of the amounts collected. [end recording]

Lawmaker: Executive Gave 'Wrong Figures' on Foreign Debt

PA0811023495 Caracas Venezolana de Television Network in Spanish 0200 GMT 7 Nov 95

[Report by Melisa Soto]

[FBIS Translated Text] The Executive has not provided the National Congress real figures regarding the country's foreign debt situation and, in particular, the figures on pending obligations that have gone up in the last quarter of the year, said Rodrigo Cabezas, foreign debt and public credit committee chairman.

[Begin recording] [Soto] Rodrigo Cabezas explained that according to figures obtained from the reports submitted by the government to the IMF representatives, the nation's debt service for 1995 totals $4.342 billion and not $2.945 billion, as the finance minister informed the Foreign Debt and Public Credit Committee. According to these same figures, the amount paid until 30 September is $2.392 billion, and so $1.949 billion would be pending, rather than $610 million, as the lawmakers thought.

[Cabezas] In our opinion, the foreign debt problem is the number one serious problem, forcing us to earmark close to 80 percent of the oil fiscal revenues to service the foreign debt. Here lies — let us it say clearly — the main problem of this economy.

[Soto] This situation will be brought before the Finance Committee. At any rate, if the summon to the finance minister to appear before the full chamber is approved, he will be asked why the wrong figures were submitted. [end recording]

Roundup of Economic Developments Through 2 Nov

PA0811023395

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 7 November.

According to a Caracas, 2 November datelined item, Caricom, a Venezuelan holding company involved in the chemical and agroindustrial sector, closed its second quarter operations this past month of September with a $4.8 million net profit. The company's latest financial report unveiled recently explains that the accumulated six-month profit for the period ending on 30 September increased to $5.6 million, compared to the $17.5 million loss reported last year. (Paris AFP in Spanish 1927 GMT 2 Nov 95)

On 2 November, the Venezuelan Central Bank (BCV) confirmed, according to a Caracas-datelined item, that the country's monetary reserves had fallen to $9.998 billion by 29 September, $561 million less than in August. The BCV's report, which was released one month after its scheduled date, points out that by the end of the week ending on 22 September, operational reserves settled at $5.4082 billion and declined slightly by the end of the month. Venezuela had closed 1994 with $11.2753 billion in international reserves, a level described by observers as "protected" due to the exchange and price control implemented on June 1994 to challenge the severe economic crisis the country is still undergoing. (Paris AFP in Spanish 1505 GMT 2 Nov 95)

Estimates announced by the National Integrated Tax Administration Service (Seniat) point out that by year's end, tax collection will amount to 9.5 percent of GDP. The Seniat contends that efforts being carried out together with the IDB to modernize the country's tax system will cause tax collection to expand to 13 percent of the GDP. In addition, Seniat Director Jose Ignacio Moreno disclosed that tax evasion currently stands somewhere between 55 and 60 percent of GDP and that the government's objective is to cut it to 20 percent, a feat that would entail additional revenues of 800 billion bolivares, according to macroeconomic estimates projected to 1997. (Caracas ECONOMIA HOY in Spanish 2 Nov 95 p 10)

According to recent estimates released by the Central Budget Office (Ocepre), by year's end, the fiscal deficit will amount to 603.115 billion bolivares, nearly 5 percent of the GDP. The Ocepre points out that the recent estimates represent a slight improvement of initial estimates unveiled during August. The Central Budget Office contends that the decline in the fiscal deficit estimates is mostly due to cuts in government expenditures and a slight increase in regular tax revenues. (Caracas EL GLOBO in Spanish 2 Nov 95 p E3)

The Venezuelan Investment Fund (FIV) received a $155 million refund from the IDB resulting from loans granted by the FIV to several Latin American and Caribbean countries through a trust fund that is managed by the IDB. By the end of the year, the FIV expects to recover an additional $180 million, and 220 million by 1996 when the trust fund is scheduled to expire. The trust fund was originally established in 1975 when Venezuela agreed to donate $400 million to a trust fund managed by the IDB which would be used to grant financial aid to other nations. (Caracas EL NACIONAL in Spanish 2 Nov 95 p E12)

Venezuela and Spain recently signed an agreement related to an investment protection program between the two countries. The agreement not only includes mechanisms to attract foreign investments but also serves to further consolidate agreements currently in effect between the two countries such as providing basic guarantees to investors, favorable treatment relating to eliminating red tape, extending licenses, and hiring Venezuelan workers. (Caracas EL UNIVERSAL in Spanish 2 Nov 95 p 2-6)

According to a Caracas, 30 October-datelined item, the Venezuelan Government explains that 48.8 percent of the population, nearly 21 million, are currently living close to the poverty level. According to the Ministry of Family, after 18 months of the Caldera administration having come into office, 21.6 percent of the population is in "extreme poverty," while 27.2 percent is facing "relative poverty." The Caldera government is preparing to implement severe economic adjustment measures in 1996, so it is expected that the economic situation will continue to deteriorate significantly during the next months. Figures disclosed by the government show that the unemployment index surpasses 11 percent of the economically active population (nearly 6 million workers). However, private estimates contend that the unemployment rate stands closer to 15 percent. (Mexico City NOTIMEX in Spanish 1727 GMT 30 Oct 95)

According to a Caracas, 30 October-datelined item, a recent poll conducted by the Venezuelan Investment Fund among 37 of the countries largest domestic and foreign corporations, points to excessive red tape involved in repatriating capital as one of the main obstacles in attracting new investments. The majority of the firms polled have expressed interest in investing in the forestry, mining, electrical, petroleum, and gas sectors but have not proceeded on account of the obstacles found in repatriating capital. (Madrid EFE in Spanish 1505 GMT 30 Oct 95)

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